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STRATEGIES FOR LUMBER/BUILDING MATERIAL DISTRIBUTION PROS

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IN DEPTH: RACKING & DELIVERY

EFFICIENCIES AND LOGISTICS IN TODAY'S
EQUIPMENT DELIVERS INCREASED
PRODUCTIVITY AND PROFITABILITY FOR
LBM DEALERS

OWNING IT

PARTNERS FUEL GROWTH AT
BARTON'S LUMBER

HARDWARE:
HASSLE OR HIGH-MARGIN
OPPORTUNITY?

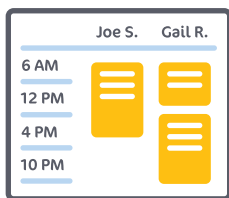
REAL ISSUES. REAL ANSWERS.
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KEVIN PIERCE, COO OF E.C. BARTON & CO.,
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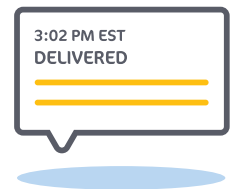
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AUGUST 2019

VOL. 17 | NO. 8



OWNING IT

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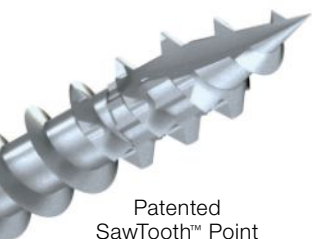
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Editor & Publisher Rick Schumacher
Rick@LBMJournal.com

Creative Director Richard Hart
Design@LBMJournal.com

Senior Editor James Anderson
James@LBMJournal.com

Contributing Sales Editor Rick Davis

Contributors Mike Berger, Rikka Brandon,
Thea Dudley, Bob Heidenreich, Russ Kathrein,
Bill Lee, Kevin McKenney, John Wagner

Controller Nancy Frazer
Nancy@LBMJournal.com

Director of Operations Michelle Fischer
Operations@LBMJournal.com

Administrative Coordinator Tina Saucke
Tina@LBMJournal.com

Circulation Director Vicki Blomquist
Vicki@LBMJournal.com

Production Director Cathy Branch

ADVERTISING SALES

NORTHEAST & SOUTHEAST

Jodie Cook Redwood
Jodie@LBMJournal.com
Ph: 800.324.3492 Fax: 952.892.7816

CENTRAL & WEST

Michele Randazzo
Michele@LBMJournal.com
Ph: 904.310.9540 Fax: 952.892.7816

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EDITOR'S NOTE

Just listen

KEEPING KEY CUSTOMERS' BUSINESS has always been important. But today, with consolidation taking place at all levels of the LBM distribution channel—from manufacturers and wholesalers down through dealers and builders—the fact that companies are acquiring others with increasing velocity makes the shrinking number of key customers more valuable than ever before.

Complicating an already challenging situation is the reality of “the Amazon effect,” which refers to the evolving disruption of the marketplace by the rapid growth in ecommerce. From our perspective, the most relevant part of this effect is the “I want it now!” expectation by customers of all stripes.

When researching data for a webinar in July on “Building Customer Loyalty and Retention,” I ran across some insights that bear repeating. Shep Hyken, a customer service and experience expert whose articles appear in *Forbes*, shared the astronomical cost to companies when their customers change suppliers, and pointed out that often it was bad customer service—not poor product quality or high prices—that was the cause. He wrote: “While the overall service experience is important, it’s the connection to the customer that can make an even bigger difference. Satisfied customers aren’t the same as loyal customers. Satisfactory is a rating. Loyalty is an emotion.”

This webinar, which featured a conversation with Carl Herrmann, operations manager for Sears Trostel Lumber in Fort Collins, Colorado, focused on how Carl and his team turned a tough situation with an unhappy customer into a satisfied and loyal, client. I encourage you to check it out at LBMJournal.com, click on Resources then Webinars.

There’s no question in my mind that technology is a critical element for LBM companies to build their business. But it takes more than that. What I love about this story is that the real-world solution came down to the most fundamental aspect of running a business: listening, *really* listening, to what our customers need from us.

Then again, there are times when listening to customers helps us realize that we want that customer to go away. This month’s Real Issues. Real Answers. tackles the topic of firing customers (p. 34). Whether or not you’ve ever fired a customer (the odds are good, since 94% of *LBM Journal* readers have), I encourage you to read this lively discussion. Nearly 200 readers shared their stories, their insights, and their calculus as to when it makes sense to fire a customer. If you’re looking for different perspectives on dealing with a soon-to-be-former customer, you’ll find it here.

I’ll leave you with this nugget to chew on. Regardless what business we’re in, our customers are more than willing to tell us what they want and need from us. If they don’t offer it up, it’s up to us to ask. Then listen. Then deliver. If we don’t, we’re at risk of firing ourselves. ■

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PROGRAM AGENDA*

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 share 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 and the local home builders association. Ty will share tips on doing this in your market.

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.

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.

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.

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

DENA CORDOVA-JACK, EXECUTIVE VP, MSLBMDA

KITTY DECAREAUX, VP CABINET DIVISION, KODIAK BUILDING PARTNERS

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

JULIE KORTH, CFO, DREXEL BUILDING SUPPLY

KATE WOODSON BORRONI, DIRECTOR OF MARKETING,
WOODSON LUMBER

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").

COCKTAIL RECEPTION & LBM CENTURY CLUB RECOGNITION

09/20 THE FUTURE OF LBM TRAINING AND TEAM BUILDING

BRADLEY HARTMANN, PRESIDENT, BEHIND YOUR BACK SALES CO.

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.

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.

CREDIT: YOUR SECRET SALES WEAPON

THEA DUDLEY, CREDIT EXPERT & CONSULTANT

If your salespeople view your credit department as the enemy, then your company is missing out on a golden opportunity to grow your sales, your margins, and your business. Credit guru and *LBM Journal* columnist Thea Dudley will share business insights and lessons-learned in a career spanning three decades, plus tactics and strategies you can put to work immediately to help build your sales.

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

JOHN WAGNER AND TED RIEPLE, 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

*PROGRAM AGENDA SUBJECT TO CHANGE.



THE ULTIMATE FASTENERS

UPDATES

PEOPLE

Kerridge Commercial Systems has appointed **Cary Anderson** to the positions of vice president and general manager for KCS in North America.



ANDERSON

Jack Delaney has been named VP of sales at Boral.



DELANEY

Beacon Roofing Supply, Inc. has appointed **Julian G. Francis** as president and CEO and to its Board of Directors.



CLAUER

Derby Building Products has hired **Justin Clauer** as district sales manager.

Jeremy Burford has assumed the role of **RoyOMartin's** vice president of plywood.



BURFORD

Grabber Construction Products has named **Brett Steinheider** as its Midwest regional sales manager.



STEINHEIDER

Simpson Strong-Tie's Vice President and General Manager of Connectors and Lateral Systems **Sam Hensen** has been appointed to the Habitat for Humanity East Bay/Silicon Valley board of directors.



HENSEN

84 Lumber has announced the hiring of **Troy Dally** as the company's new chief procurement officer.



HIXSON

Do it Best has named four senior leaders to new roles on the lumber and building materials team. **Todd Hixson** is LBM business development manager, **Josh Ratcliff** is division manager for lumber and reload operations, **Joe Corah** is division manager for panels, distribution and specialty products, and **Jean Fahy** is division manager of building materials.



RATCLIFF



CORAH



FAHY

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SINGLE-FAMILY HOUSING STARTS INCREASE IN JUNE, MULTIFAMILY FALLS

Single-family gains helped offset a drop in multifamily production as total housing starts edged 0.9% lower in June to a seasonally adjusted annual rate of 1.25 million units, according to a report from the U.S. Housing and Urban Development and Commerce Department.

The June reading of 1.25 million starts is the number of housing units builders would begin if they kept this pace for the next 12 months. Within this overall number, single-family starts increased 3.5% to 847,000 units. The multifamily sector, which includes apartment buildings and condos, fell 9.2% to a 406,000 pace.

"The monthly pick up from May to June in single-family starts is in line with the slight rise in our latest builder confidence survey, as demand remains solid due to a healthy job market," said Greg Ugalde, chairman of the National Association of Home Builders (NAHB).

"The relatively flat housing starts data in June is due to a decline in multifamily production, which still remains somewhat elevated due to affordability concerns in the for-sale market," said NAHB Chief Economist Robert Dietz. "The Census data show that the only region showing single-family construction gains for the first half of 2019 is the South, where housing is generally more affordable relative to incomes."

Regionally, combined single-family and multifamily starts in June rose 31.3% in the Northeast, and 27.1% in the Midwest. Starts declined 9.2% in the South and 4.9% in the West.

Overall permits, which are a harbinger of future housing production, fell 6.1% to a 1.22 million unit annualized rate in June. Single-family permits edged 0.4% higher to 813,000 while multifamily permits fell 16.8% to 407,000.

REGIONAL PERMIT DATA IN JUNE

NORTHEAST ROSE:

▲21.9%

SOUTHEAST FELL:

▼10.4%

MIDWEST FELL:

▼0.6%

WEST FELL:

▼7.9%

CONSTRUCTION INPUT PRICES DROP IN JUNE

Construction input prices decreased 1.3% on both a monthly and yearly basis in June, according to an Associated Builders and Contractors analysis of U.S. Bureau of Labor Statistics' Producer Price Index data. This is the first time in nearly three years that input prices have fallen on a year-over-year basis, ABC says.

Overall, nonresidential construction input prices declined 1.4% from May 2019 but are down just 0.8% from June 2018. Among the 11 sub-categories, only natural gas (+1.6%) and concrete products (+0.9%) prices increased compared to May 2019. On a yearly basis, three of the sub-category prices have declined by more than 20%, including softwood lumber (-23.1%), crude petroleum (-22.2%) and natural gas (-22.3%).

"Eighteen months ago, surging construction materials prices represented one of the leading sources of concern among construction executives," said ABC Chief Economist Anirban Basu. "That was a time of solid global economic growth and the first synchronized worldwide global expansion in approximately a decade. Yet things can change dramatically in a year and a half. According to today's data release, construction materials prices are falling, in part a reflection of a weakening global economy."

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UPDATES

INDUSTRY

Deckorators has approved **CAMO's** EdgeClip and EdgeXClip fasteners for use with its grooved deck boards.

Building Products Inc. recently held a groundbreaking ceremony for a new millwork facility located at the company's branch in Evansdale, Iowa.

DISTRIBUTION

Cameron Ashley Building Products, Inc. has relocated to a new building products distribution center in Houston, Texas.

MoistureShield, a division of **Oldcastle APG**, has partnered with **Cardinal Building Products** for distribution in the Mid-Atlantic region.

Orgill, Inc. is building a 780,000 square foot distribution center in Rome, New York. Plans are to be fully operational by 2022.

BRINC Building Products, Inc. has expanded **ThermalBuck** distribution in the Northwestern U.S and Canada.

Atlantic Plywood will now distribute Nevamar by **Panolam**.

BlueLinx Holdings Inc. has completed the sale of its former distribution facilities in Minneapolis, and Des Moines, Iowa, for an aggregate purchase price of approximately \$12 million.

MERGERS & ACQUISITIONS

Epicor has acquired **Majure Data**, a provider of warehouse management solutions.

Capital One has announced a definitive agreement to acquire **BlueTarp Financial**.

Silver Canyon Group has formed **Fulcrum Building Group** to acquire **South Bay Lumber** of Santa Rosa Beach, Fla., and **Navarre Lumber** of Navarre, Fla.

Homewood Holdings has acquired Custom Choice Door.

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BUILDER CONFIDENCE HOLDS FIRM IN JULY

Builder confidence in the market for newly-built single-family homes rose one point to 65 in July, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). This marks the sixth consecutive month that sentiment levels have held at a steady range in the low- to mid-60s.

"Builders report solid demand for single-family homes. However, they continue to grapple with labor shortages, a dearth of buildable lots and rising construction costs that are making it increasingly challenging to build homes at affordable price points relative to buyer incomes," said NAHB Chairman Greg Ugalde.

"Even as builders try to rein in costs, home prices continue to outpace incomes," said NAHB Chief Economist Robert Dietz. "The current low mortgage interest rate environment should be getting more buyers off the sidelines, but they remain hesitant due to affordability concerns. Still, attractive rates should help spur new home purchases in large metro suburban markets, where approximately one-third of new construction takes place."

Derived from a monthly survey that NAHB has been conducting for 30 years, the NAHB/Wells Fargo Housing Market Index gauges builder confidence 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 higher in July. The index measuring current sales conditions rose one point to 72, the component gauging expectations in the next six months moved a single point higher to 71 and the metric charting buyer traffic increased one point to 48.

Looking at the three-month moving averages for regional HMI scores, the South moved one point higher to 68 and the West was also up one point to 72. The Northeast remained unchanged at 60 while the Midwest fell a single point to 56.

HARVARD STUDY:

HOUSING PRODUCTION FALLING SHORT

With the nation's economy on sound footing and incomes on the rise, the number of people forming households in the United States has finally returned to a more normal pace. Housing production, however, has not. The 2019 State of the Nation's Housing report from the Harvard Joint Center for Housing Studies documents how the housing shortfall is keeping pressure on house prices and rents, eroding affordability for modest-income households in many markets.

Center researchers found that household growth is now back from post-recession lows, but new home construction remains depressed, with additions to supply barely keeping pace with the number of new households. Several factors may be contributing to the slow construction recovery, including excess supply following the housing boom, which took years to absorb, and persistent labor shortages.

"The most significant factors, however, are rising land prices and regulatory constraints on development," says Chris Herbert, managing director of the Joint Center for Housing Studies. "These constraints, largely imposed at the local level, raise costs and limit the number of homes that can be built in places where demand is highest." Meanwhile, a large percentage of new housing being built is intended primarily for the higher end of the market, Herbert states. The limited supply of smaller, more affordable homes in the

face of rising demand suggests that the rising land costs and the difficult development environment make it unprofitable to build for the middle market.

The report also finds that the number of homeowners rose sharply, even as the ratio of median home price to median household income rose from a low of 3.3 in 2011 to 4.1 in 2018, a sign of deteriorating affordability. But conditions for would-be buyers vary widely across the country, with home values more than five times greater than incomes in roughly one in seven metro areas (primarily on the West Coast) compared with less than three times in about one in three metros (primarily in the Midwest and South).

Looking forward, the report authors predict that millennials and baby boomers will continue to push household growth, spurring demand in the remodeling market and the demand for entry-level homes. Rental growth is expected to be solid as well, with 400,000 additional renter households per year expected between 2018 and 2028. Whether these projections come to pass depends on a number of factors, including economic conditions, housing affordability, and the pace of foreign immigration.

One big question mark is whether the market can supply housing that is within reach of most household incomes.

“To ensure that the market can produce homes that meet the diverse needs of the growing US population, the public, private, and nonprofit sectors must address constraints on the development process,” says Herbert. “And for the millions of families and individuals who struggle to find housing that fits their budget, public efforts will be necessary to close the gap between what they can afford and the cost of producing decent housing.”

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2019 EVENTS

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, Texas • www.LBMStrategies.com

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

OCT 15 LBM Sales Master Class, Boston, MA www.LBMJournal.com/sales-master-class

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

2020 EVENTS

JAN 14-16 North Dakota Retail Lumbermen's Association Annual Convention, Fargo, ND • www.NDRLA.com

JAN 21-23 NAHB International Builders Show, Las Vegas, NV www.buildersshow.com

JAN 22-23 Northwestern Building Products Expo-North, St. Cloud, MN www.nlassn.org

FEB 4 Wisconsin Leadership Conference Wisconsin Dells, WI • www.nlassn.org

FEB 27-18 Northwestern Building Products Expo – South, Council Bluffs, IA www.nlassn.org

MAR 4-6 LMC Annual Meeting Nashville, TN

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

TOUGH CALL ANSWERS

ANSWERS TO OUR JUNE TOUGH CALL SURVEY:

THE CASE OF THE COMPLACENT SALESPEOPLE

AS A GROUP, YOUR SALESPEOPLE HAVE STOPPED PURSUING NEW BUSINESS, BECAUSE THE COMPANY IS ALREADY DOING WELL. YOU NEED TO SHAKE THINGS UP. BUT HOW? HERE'S HOW READERS WOULD HANDLE THIS TOUGH CALL.



YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 13.1%** **FIRE ONE.** Relieve the least productive salesperson of their employment with your firm, then gather the rest and let them know that others will follow if performance doesn't improve.
- 26.2%** **CONTEST.** Offer bonuses for each new account that salespeople bring in over the next six months, with prizes for the most new accounts, and the highest sales by new accounts.
- 21.5%** **REVIEW PAY.** Maybe their complacency can be fixed by tweaking your compensation and bonus plan. Take a fresh look at how you pay, and modify that to accomplish your goals.
- 39.2%** **NEGOTIATE.** Meet with them individually, explain your concerns—for the company and their future—and see if you can win them over, one by one.

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

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REMODELING CONFIDENCE HOLDS STEADY IN SECOND QUARTER

Remodeling confidence has held in 2019's second quarter, while a recent report shows that growth in residential remodeling spending is expected to slow considerably by the middle of next year. The National Association of Home Builders' (NAHB) Remodeling Market Index (RMI) posted a reading of 55 in the second quarter of 2019. This indicates a rise of one point from the previous quarter. The RMI has been consistently above 50—indicating that more remodelers report market activity is higher compared to the prior quarter than report it is lower—since the second quarter of 2013. The overall RMI averages current remodeling activity and future indicators.

"The demand for remodeling continues to hold strong throughout the country," said NAHB Remodelers Chair Tim Ellis, CAPS, CGP, CGR, GMR, Master CGP. "However, the lack of skilled labor continues to be one of the largest roadblocks in the industry."

Current market conditions rose two points from the previous quarter to 55. Among its three major components, major additions and alterations increased four points to 53, minor additions and alterations and the home maintenance and repair component both held steady at 55 and 56, respectively.

The future market indicators gained one point from the previous quarter to 55. Calls for bids stayed at 54, amount of work committed for the next three months fell two points to 52, the backlog of remodeling jobs increased four points to 58 and appointments for proposals remained steady at 55 for the third quarter in a row.

"The remodeling market has decelerated somewhat due to ongoing supply-side challenges, as well as year-over-year declines in existing home sales," said NAHB Chief Economist Robert Dietz. "However, remodeling confidence continues to be positive. Market conditions would be better if not for labor shortages and rising construction costs making it difficult to complete some projects at prices home owners can afford."

RESIDENTIAL REMODELING GROWTH EXPECTED TO SLOW

Growth in residential remodeling spending is expected to slow considerably by the middle of next year, according to the Leading Indicator of Remodeling Activity (LIRA) released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University. The LIRA projects that annual residential remodeling growth homeowner expenditures for improvements and repairs will shrink from 6.3% in the current quarter to just 0.4% by the second quarter of 2020.

"Declining home sales and homebuilding activity coupled with slower gains in permitting for improvement projects will put the brakes on remodeling growth over the coming year," says Chris Herbert, managing director of the Joint Center for Housing Studies. "However, if falling mortgage interest rates continue to incentivize home sales, refinancing, and ultimately remodeling activity, the slowdown may soften some."

"With the release of new benchmark data from the American Housing Survey, we've also lowered our projection for market size about 6% to \$323 billion," says Abbe Will, associate project director in the Remodeling Futures Program at the Center. "Spending in 2016 and 2017 was not nearly as robust as expected, growing only 5.4% over these two years compared to 11.9% as estimated."

The LIRA provides a short-term outlook of national home improvement and repair spending to owner-occupied homes. The indicator, measured as an annual rate-of-change of its components, is designed to project the annual rate of change in spending for the current quarter and subsequent four quarters, and is intended to help identify future turning points in the business cycle of the home improvement and repair industry.

BY THE YARD

NEWS FROM LUMBERYARDS AROUND THE COUNTRY

Alexander Lumber opens new Iowa City lumberyard

Alexander Lumber Co. has opened a new lumberyard in Iowa City, Iowa. The new location features a retail sales facility as well as a warehouse, and large lumber shed. The lumberyard officially opened for business on July 1. Alexander Lumber has had a presence in Iowa City since 2016, when the company acquired Nagle Lumber. It subsequently opened Answers By Alexander, its interiors showroom and design center, in Iowa City in 2017.

Carter Lumber expanding manufacturing operations in Pennsylvania

Pennsylvania Governor Tom Wolf announced that Carter Lumber has selected York County to establish its first manufacturing operation in Pennsylvania. The company has committed to investing at least \$6 million into the project, which is expected to create 35 new, full-time jobs at the new manufacturing facility and retain 177 existing jobs across the commonwealth over the next three years.

Walker named manager of Beeville McCoy's Building Supply

McCoy's Building Supply has announced the appointment of Holton Walker as store manager of its Beeville, Texas, location. Walker joined McCoy's two years ago after serving in the military. He credits the company's Management Development Program for helping him transition into the world of retail and giving him the skills he needed to become an assistant manager. Most recently, Walker served as assistant manager in Bryan and Tyler, Texas, before his promotion to manager.

DEALERS, GOT NEWS?

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

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YOUR COMPETITIVE EDGE

5 QUESTIONS

WITH KEN O'NEILL EVP, NATIONAL GROUP,
OLDCASTLE APG

1

Q: Oldcastle APG, a CRH company, announced that the company's composite decking business (formerly Advanced Environmental Recycling Technologies (AERT) will now operate as MoistureShield. What is behind the name change?

A: For more than five decades, Oldcastle APG has been well-known for brands that service the outdoor living category. With the acquisition of AERT in 2017, we set out on a new endeavor to bring that successful blueprint to the composite decking marketplace. It's more than a new name and logo—it's a commitment to our customer base.

2

Q: Oldcastle APG has grown into an industry leader for outdoor living—particularly in the hardscapes business. Why composite decking?

A: Similar to our hardscape products, composite decking is about color, texture, and scale, so it was a natural fit as we continue to build out products that create beautiful outdoor living experiences—in this case, backyards. AERT was selected based on a rich history as one of the first composites on the market. Their products had zero field failures in over 30 years, and they had product innovation success with Vision capped composites and CoolDeck technology, which lowers deck surface temperatures. We plan to bring Oldcastle APG quality manufacturing, sales, marketing, and R&D expertise to MoistureShield to take composite decking to the next level.

3

Q: Being a newcomer into the category, what has surprised you the most about the composite decking industry?

A: It is surprising when we see cost-cutting shortcuts in manufacturing that could ultimately impact product performance. MoistureShield will continue to develop affordable products without compromising product quality, integrity, and long-term performance. There also appears to be a lack of brand differentiation in the market and a lack of innovative focus on product improvements and installation. There is room to improve partnerships from the manufacturer to the distributor and dealer, and so much potential to connect the deck to other parts of the backyard through the use of textures and colors. Many manufacturers have expanded SKUs and color beyond the channel's ability to always be in stock. Affordability is another surprising issue. MoistureShield has a profile, color, and technology innovation for any consumer, as well as price points that do not prohibit anyone from enjoying an upscale outdoor lifestyle.

4

Q: Tell us about your plans for MoistureShield and where the company is today. How will dealers play an integral role in growth? Do you plan on using existing Oldcastle APG dealers or recruiting new ones?

A: We plan to base our new and innovative products and services on customer and consumer feedback. The company is completely different than it was a year ago, and these changes will continue. We feel that dealers are critical for our success, as they serve as our local resource to service both the contractor and the end user. We will support them with customer service, lead generation, strong marketing, and advertising. While there are opportunities to work with existing dealers, we think the bigger opportunity is taking what we have learned from Belgard's closer relationships with the landscape market and applying these best practices to the LBM trade.

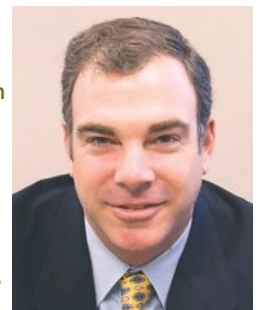
5

Q: Where do you see the outdoor living market going this year and into the future?

A: Homeowners have high expectations. They want composite decking to look natural but perform better than wood—that is, no splinters or cupping, moisture-resistance, and reduced upkeep. We need to help customers cut through the clutter in the marketplace and find what meets their needs. For example, MoistureShield offers rich on-trend colors, textures, and advancements such as our Solid Core Difference on all products to add strength and workability; DiamondDefense for a more durable surface on our capped boards; and CoolDeck technology to reduce deck surface temperatures. We are also striving to make a workable composite board that's more affordable for the everyday homeowner.

As for the future, Oldcastle APG is always looking for solid growth platforms in which to invest wisely. We will continue to look at acquisitions in decking, accessories, and other building materials. Other strategies will include greenfield and CapEx (facility improvement) investments, as well as technology innovation to ensure our vast number of locations within North America continually improve service and accessibility to markets. ■

Ken O'Neill, EVP, leads Oldcastle APG's National Group, covering MoistureShield, and Techniseal, which manufacturers polymeric sands and chemicals to enhance hardscape projects. He also oversees APG's marketing and product development groups in the U.S. and Canada that manage the Belgard, Echelon, Sakrete, and Amerimix brands.



FIVE CEDAR SELLING STRATEGIES IN A COMPETITIVE MARKET

Cedar, a highly valued, beautiful and versatile wood product, outperforms many concrete, steel and plastic materials in a variety of categories including energy expenditure, recycling and overall environmental impact. It has been the preferred product on a variety of interior and exterior applications for centuries. Today, it faces increasing competitive pressure — both in sales and marketing — from alternative materials.

Selling cedar isn't like selling studs. With cedar, you must have a good understanding and knowledge of what it is that the customer wants and what is available or in stock.

HERE ARE FIVE STRATEGIES TO HELP CEDAR SALES IN A COMPETITIVE MARKET:

SELL THE VALUE

Cedar offers a combination of features that can't be claimed by other materials. It is a sustainable, beautiful and a highly durable wood product that is naturally resistant to rot, decay and insects. Cedar is a thermal insulator, keeping buildings cool in the summer and warm in the winter, and its ability to absorb sounds make it versatile for internal and external applications.

MAINTENANCE MISCONCEPTION

All materials over time require some sort of maintenance due to exterior climate conditions. Cedar requires the same level of maintenance of a composite product. And, depending on the final finish and climate conditions, occasional cleaning with mild oxygen bleach solution keeps mold and mildew at bay.

DISPLAYS, DISPLAYS, DISPLAYS

Show the beauty and versatility of cedar, its grades and patterns, as well as the variety of applications with displays — gazebos, decks, pergolas, shingles, etc. — and combine it with other products that complement cedar like Douglas Fir beams or cedar timbers for outdoor structures.



TRUE COSTS AND ROI

It is a common misconception that cedar costs more than other materials. While it is true when comparing some treated woods, it is not the case with most premium woods and composite products. For years, *Remodeling* magazine's Cost vs. Value report features real wood decks and siding recoup a higher value, not to mention great curb appeal.

ASK THE RIGHT QUESTIONS

Do customers prefer a manmade or natural product? Where will the material be applied? What are the concerns? Selling cedar takes a greater understanding of its value proposition, its grades, textures and sizes. Gaining valuable insight about a customers' project first may turn a simple sale into the sale of the quarter or year.

"Often times, specifications are not always written accurately or include incorrect terminology when it comes to cedar," said Paul Mackie, spokesperson for the Western Red Cedar Association. "Asking questions to perfect the specification or inquiry takes a good understanding of the product so the correct cedar products end up on the jobsite."

PROUD TO SUPPORT



There's a reason alternative material manufacturers tout the "cedar look" — real wood is consistently desired by homeowners.

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Five principles to achieving optimal management productivity

THERE ARE FIVE PRINCIPLES I believe a salesperson should follow in order to be the most productive he or she can be.

1. If you aren't measuring it, you are not managing it. In my experience as an industry consultant, this is the management principle that is most frequently violated.

Any time you overhear managers make productivity statements about the people in their organizations that are not accompanied by measurable expectations, they are guilty of generalizing. In sports there are few objectives for players that are not measurable. The only one that comes to mind is hustle. Players are often criticized for not hustling, but how much effort they are expending is in the eyes of the beholder, which is frequently inaccurate.

2. Parkinson's Law: Activity expands to fill the time allotted for it. Although different from management principle No. 1, there are similarities. When managers don't measure organizational productivity by keeping score, their tendency is to rely upon their observations. The cry, "We need more help..." almost always emanates from the workers in the trenches, not from management.

The period immediately following a deep recession is oftentimes a highly productive time for a company because management fears the increase in business activity might be a flash in the pan versus a time to add more people.

3. The Law of Effect: Behaviors immediately rewarded increase in frequency while behaviors immediately punished decrease in frequency. Timely feedback to your people is one of a manager's most effective motivators. As Ken Blanchard wrote in *The New One-Minute Manager*, managers typically get the kind of behavior they reward. The more quickly managers give workers positive feedback (or a slap on wrist) the higher the odds of behavior change.

Try giving the people who report to you a one-minute reprimand when they disappoint you and a one-minute praising when they please you.

4. The Pareto Principle: The 80/20 rule. While this principle was introduced in the early 1900s, it continues to be one of management's favorite measurements in search of productivity gains. There are multiple applications of this principle, such as, 20% of your inventory generates 80% of your sales; 20% of your salespeople generate 80% of your sales; 80% of your customer complaints come from 20% of your customers, etc. Buyers, for example, are wise to strive to never run out of the 20% of products that generate 80% of company's sales.

5. Murphy's Law: If anything can go wrong, it will! Most managers will recognize this principle as being the most predictable. As a consultant, I often ask clients this question: "If down the road your company were to fail, what do you predict the reason for that failure would be?" In my experience, most managers know where danger lurks, but they don't take the time to identify the pot holes in the road ahead that, if not repaired, could cause their business to derail.

In my early days in management, it was my job to manage a fairly large inside sales force. Our turnover was horrible. When I would hire enough people to meet our service requirements, I would lose another two or three inside salespeople. Observing me struggling with this issue, one of our senior executives applied the 80/20 rule to my personnel losses. He discovered that 20% of the people I hired were stable, but 80% were the most likely to leave us for another job.

Additional research revealed that the 80% were transplants who had recently moved into our community and 20% were natives who had set goals to work in their hometown. By targeting more candidates who were native to our community, I was immediately able to eliminate the turnover I had been experiencing. ■

Bill Lee works with owners and managers who are looking for ways to put more money on the bottom line. For more information, you can contact Bill at 864.303.8366 or email him at LeeResourcesInc@gmail.com.



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THE “BACKWARD SALE” happened again as it does thousands of times each day throughout the world. The checkout clerk attempted to embellish my purchase at the last minute by shoving the extended warranty brochure into my hand.

The resulting dialogue was as commonplace as the “How are you?...I’m fine, how are you?” obligatory conversation of feigned interest. The extended service contract is met with the skepticism that it *must* be bad for the buyer or else it wouldn’t be proposed. The buyer issues a “Thanks but no thanks” that starts before the sales pitch is even completed. The sale is subsequently rung up and another chance at a mutually beneficial exchange is missed.

Sales 101 dictates that the seller establish value *before* offering the price. In the case of extended warranties, the dialogue begins backwardly with the price offered before the value is established. The salesperson paints a picture of future crisis as an appeal to the buyer’s emotions. It’s too late because the buyer is already rationalizing away the idea of spending more money.

You may ask how this possibly matters to the LBM industry. It matters because your salespeople make the same mistake with walk-in consumer customers by engaging in the practice of “Good-Better-Best” selling...which is backwards. Your customers make the same mistake with *their* customers.

The “Good” offer creates the basis point of negotiation, something we call the “anchor.” It establishes benchmark pricing before the option to spend more. The Good-Better-Best approach is backwards because it neglects the emotional connection necessary to justify a higher price. The better approach is “Best, Better, Good” selling. Here is why:

1. Instead of selling a product or a price point, the seller is offering a vision of the future. The buyer is invited to envision the situation in which they own the premium product and fulfill a dream.

2. The law of contrast creates more sales to the middle offer, the “Better.” Studies have shown that starting with a lofty vision for the future enables buyers to justify a step down to the middle. The “anchor” in the negotiation to the top-priced product sets the standard and allows the buyer to spend less, a choice much more comfortable than the implicit choice to increase the cost with a good-better-best approach.

3. The Best-Better-Good approach implicitly demonstrates that the salesperson has already done the shopping for the buyer by providing all the options necessary to make a decision while establishing a consultative dialogue of trust. The backward good-better-best approach tacitly encourages buyers to validate the starting price by shopping at competitor branches.

4. You shouldn’t spend your clients’ money for them. The sales profession is one in which we worker bees are often selling products to clients with access to greater resources than we can ever hope to acquire. It’s an insult to presume they should start their buying journey by investigating the best ways to save money when they can already afford the dream.

Imagine a computer salesperson telling the walk-in buyer, “Every computer in our store comes with my company’s bumper-to-bumper warranty. If your computer crashes, we’ll have you up and running within 24 hours. How does that sound?” It’s a great way to start the dialogue. If the buyer later balks at the purchase, the salesperson can offer to remove the cost of the extended warranty as a money-saving tactic.

My belief is that the computer salesperson would sell more warranties with this “Best-Better-Good” approach. Set the anchor high in your pricing strategy. It’s easier to come down on the anchor price than it is to raise it. ■



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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Does your compensation measure up?

IT'S THE ETERNAL QUESTION for most companies, LBM or otherwise: Am I paying enough to attract the best people?

And it's an important one to ask. One of the biggest challenges facing LBM dealers today is finding good team members. Much of the workforce is aging out, and it's been difficult attracting younger workers to the industry. This means that your salary and compensation packages need to be as attractive as your competitors'—both inside and outside the industry.

If you find out your compensation is super low, you're at risk of losing your long-term employees. If a team member leaves and gets a \$5K or more bump in pay, chances are the word will get out and they'll all start to talk; you'll see your turnover rise as your competition snatches up your employees.

These challenges also indicate how vital it is that you attract not just strong workers, but strong leaders. Better compensation will help you create a leadership team.

HOW'S YOUR COMPENSATION?

First and foremost, determine if your company already has a low threshold. Here are a few signs your company's compensation is off:

- People decline your offers, or accept them but frequently don't actually show up on the first day, or leave quickly.
- You haven't reviewed and updated your pay scale in two years or more.
- You are losing experienced people to your competitors.
- You are including your compensation in job ads and getting virtually no responses from qualified people
- Recruiters you try to work with never call you back.

If these or other signs are happening, it's past time to evaluate your compensation to see if it's competitive.

HOW TO COMPARE YOUR COMPENSATION

There are a number of ways to see how your salaries and compensation packages measure up to competitors. For a larger scope, consider checking the compensation guide(s) published by yours truly, or the more detailed and sales-

focused guide published by *LBM Journal*. These will provide a fairly broad swath for many positions nationally. Here are a few other places to look:

- Call your local job service and ask about wage surveys or reports for that type of job.
- Check out Salary.com. The site has basic, free employee reports or you can buy more robust reports designed specifically for employers. The free data is often nationally based.
- Consult the Department of Labor, which offers wage data by area and occupation.
- Consult the Society of Human Resource Management for wage and salary surveys. Search your local chapter at www.shrm.org.
- Google "Wage and Salary Survey" or "Compensation Ranges" for your area.
- Study similar job postings in your area; some will include compensation.

No matter which tools you use, always trust your gut and market knowledge. If the compensation seems really high or really low, it probably wasn't pulled from good data.

Also keep in mind that people often only get a 2% to 3% raise when they've been with a company a long time, and if people move around they average around a 10% to 15% increase with each move, so they're going to be much more highly compensated than your long-term employees.

As a national building products recruiter focused on sales, management, and leadership positions, I am able to help my clients understand if their expectations match their compensation. Often there is a disconnect between what a company thinks is a strong compensation package and what the market is currently demanding for proven performers. Once you know what the market demands, you can decide to lower your expectations or raise your compensation. Although compensation isn't the only reason people change jobs, it is a major factor in nearly every decision. If your organization doesn't already have an annual or bi-annual compensation review process, you should start one now. ■



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

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Customer agreements can prevent negative online reviews

AS THE RETAIL EXPERIENCE continues to evolve, so do customer expectations. And when those expectations aren't met with instant satisfaction, more customers now take out their frustrations in negative online reviews.

When a customer makes a purchase in person at The Deck Store or from our website, they have agreed to certain conditions that are presented online or on the back of our store receipt. These conditions are in place to protect my business from partial product returns or late or damaged returns, and so on. Truth be told, I suspect that a lot of customers don't read that agreement on the website or the receipts, even when we point it out to them.

Case in point: A customer came into my store and purchased railing accessories for a deck he was building. The customer used part of the accessories, which were packaged by the 100 count. They then returned to my store 34 days later to return half the box. When I told the customer that we won't accept partial returns on a product that isn't offered for individual sale, he became irate in my store and caused a scene on a busy Saturday morning, potentially influencing others' buying decisions.

When I finally calmed the customer down (after threatening to call the police), I told him that we needed to part ways. I would not accept his return for two reasons: 1) it is a partial product return, and 2) it is beyond the 30 day limit to return the product. Would I have bent the rules a bit and stretched my own policy if he had approached the return differently? Probably. But after he acted the way he did, I had decided I had already lost any future business from him, so I was no longer interested in keeping him as a happy customer.

If you're familiar with online review sites like Yelp, Google reviews, social media reviews, etc., you can imagine what came next—the customer went to the web and filed a number of negative online reviews.

My phone soon buzzed with the first notification that someone had left a review under our business listing on Yelp. I checked it out and sure enough, it was from the customer who raised such a stink I had to threaten to call the police. So, I responded to the review and calmly pointed out that this customer had caused a scene in my store and the only way I could get him to calm down was by threatening that he

be charged with trespassing. I replied that if he would like, I could upload footage from our store security cameras to show exactly how disrespectful and rude the customer was acting.

Not long after that, the customer called and threatened to sue me if I uploaded the video because he perceived that as a violation of his constitutional right of free speech. I don't believe this to be true, but I realized that by saying that, he was actually opening himself up to negotiation. I realized that the value of his product return was no longer the issue. The bigger issue was that he had now left me a scathing online review.

So, I invited the customer in for a talk. When he arrived in the store, I presented him with a contract. The contract stated that I would accept his return of a partial product beyond the return date in exchange for him removing the negative online reviews and agreeing to never leave another review (positive or negative) about my company. It also asked that he not disclose to anyone else our dispute and agreement, in effort to prevent a friend or family member from leaving a similar review.

The customer tossed the idea around for a bit and ultimately decided that he would sign the contract and he removed the reviews as soon as he returned home.

I know that there are other ways this situation could have been handled that didn't feel as if a customer had blackmailed me with negative online reviews, but I know both the value of the product return and the damage a bad review can cause, and I believe I made the correct choice.

To validate my decision, I ran the situation past my lawyer, who agreed that a signed contract between two parties proved a more affordable means of resolving the dispute than if the situation accelerated and either myself or the customer brought small claims court into the issue.

The customer experience I described is certainly not the norm, and I hope you never have to use such a contract when faced with a negative online review. However, until there is a way for business owners to dispute reviews on the review sites or some measures in place to reduce the anonymity of online reviewers, I can say that this particular situation worked out in my best interest. ■



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 (doing) less is more

THERE IS AN ANALOGY for being too busy that references the act of juggling balls: You are successfully juggling five balls, but when you try to add just one more, you end up dropping them all. What if you flipped this around and instead of doing a good job of juggling five balls, you purposely dropped one and then did a great job of juggling four balls? There is something satisfying about taking your time in order to do some things right. It's easy to picture this from a task standpoint, but what about from a strategic standpoint? *LBM Journal* recently wrote about a company that downsized its facility and focused on one primary type of customer, while walking away from another customer type that they had traditionally served. ("Addition by subtraction for Lumber Mart" May 2019) The result was increased sales and increased profits.

At my company, we had traditionally served smaller, rural markets for 128 years, and while these stores represented just under half of our locations, they only accounted for 15% of our revenue. More importantly, these locations represented a completely different kind of business model than the rest of our locations. Our bigger locations were designed to sell construction materials to builders, while the rural locations tried to sell everything to everyone. It didn't help that in many of these small rural towns, building opportunities were becoming more and more scarce. So, we made the decision to exit these markets, but rather than doing it over time as each store slowed down, we decided to do it all at once so we could concentrate at being really good at "juggling the balls" that were our remaining stores. It has only been six months, but already we can see the clarity and freedom that we unleashed for ourselves, allowing us to focus on our primary business of selling builders.

One can use the same analogy when you look at the responsibilities that you as a leader in your business choose to retain, delegate, or assume. How many times have you said to yourself that you will just do something yourself because it is easier? Is it easier for the company that you do the task or assume the responsibility, or is it easier on you? Worse yet, is it easier because it props up your ego and makes you feel indispensable? How many jobs or duties do you hold that

someone else in your organization can do as well or better than the way you currently are doing it? What are the things that you do better than anyone else in your organization? If you could "drop one ball" and focus on those duties, would your company be more successful and profitable? Ask yourself, "What is the highest and best use of my time?" Chances are, it is not counting out the register drawer or shoveling snow away from the front door.

The balls you should be juggling are the ones other people can't do and that help you be successful in your role and make your company successful. I try to tell my up-and-coming managers that the best thing they can do is train their people so well they work themselves out of a job. If that happens, I commit to them that there will be something better for them—hopefully, within our company, but it may come from the outside. They have to be comfortable letting go of some of the balls they are juggling, so they can take on new challenges to juggle.

The last temptation we need to address is our willingness to assume juggling balls that we previously gave up because we know how to do it, and it will just be easier or save money. There was a reason you gave those balls to other people to juggle. Hopefully, it was because you knew they would do a better job at it. Now something happens, and the easy button is for you to just add that ball to all the ones you are currently juggling. The problem is, you may end up dropping them all, even though you know you can juggle any of them in a smaller quantity.

As I write this, I realize I need to practice what I preach. Due to some shifting responsibilities, I recently assumed the management of the salespeople at one of my stores. It isn't forever, and it made more sense (code for "hitting the easy button") if I just assumed the duties for now. Yet, as I look at all the balls I am juggling, I realize that something will have to give in order for me to incorporate this additional ball into my repertoire. I also know that, given all the other balls I am juggling, I will not be able to juggle this additional ball very well. So, I better take my own advice and find someone to throw this ball to sooner rather than later, or I could end up dropping all of the balls I am juggling. ■



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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Why strategic investors pay more

IN THE BROADEST SCOPE, there are really only two types of acquirers for your business: **1) strategic acquirers** that will fold an acquisition into their existing operations, with an aim to achieve synergy, and **2) non-strategic acquirers** that are buying a company simply to enjoy the cash flow of a portfolio company. This second category of acquirer, the non-strategic type (often a private equity group) can easily become a strategic investor if they acquire, say, a collection of retail outlets, and treat them as a “platform” on which to build. They might add “bolt-on” companies, like a distribution company, or a lumber mill, or a plant to produce decking, siding, or roofing.

Why draw a distinction between these two types of acquirers? The reason is that they pay different multiples of EBITDA when making the acquisition. The strategic acquirer will typically pay a 1X higher multiple of EBITDA than a non-strategic. (We will look at the value implications of that in a minute.)

When our firm engages a client, we are always working for the sellers seeking to be acquired. In the parlance of the industry, that’s what’s called a “sell-side rep,” and any sell-side rep worth their salt will run an analysis early-on to estimate the value of the company they are taking to market. (This is done as much to set expectations of the seller as it is to establish an acceptable target range of what to expect from an acquirer.) That valuation estimate typically means searching a database of recent deals to see the contemporary multiple of what’s been paid for similar companies. (Our firm subscribes to GF Data for this deal information; there are many other similar services.) When we look at the multiple of EBITDA recently paid in an acquisition, we always add 1X to that figure if the buyer is a strategic acquirer.

The strategic acquirer will pay more simply because they see an immediate opportunity to leverage the new acquisition to accelerate growth, leverage synergies, and basically

make more money with the conjoined operations than these companies can make working independently. For example, it only stands to reason that a deck manufacturing company might see the potential synergies—e.g. higher margins, cutting out the middle man—if it were to buy a series of decking outlets stores, where they can offer their house brand. That’s a classic strategic acquisition. Next, the deck manufacturer that owns the retail outlets might see a compelling reason to own a trucking and logistics company, which would obviate the next natural acquisition of...well, you get the idea. This is how empires are made.

What are the value implications of a strategic acquirer versus a non-strategic acquirer? It’s simple math. Let’s say a company that seeks to be acquired is booking, for ease of math, \$5 million in EBITDA. If a non-strategic acquirer would purchase that company at 5X, they are paying \$25 million. If a strategic acquirer is making the acquisition at 6X, they are paying \$30 million, a \$5 million positive lift for the seller. This higher value is achieved simply because the strategic acquirer can do more with the business it is acquiring than, say, a private equity group that simply wants to harvest the cash flow and let the acquisition sit there as a stand-alone portfolio company.

A final reason that strategic acquirers pay more is that they tend to want to hold on to their acquisition, folding it into an integrated operation. Strategic acquirers have a bias for the long game. A private equity group/non-strategic, almost invariably, wants to acquire a company, build it up over time, and sell it down the road for a higher value, typically after 3-5 years. They don’t have much of an attachment to the company in the cold calculation of the right time to sell it to achieve their target of return on investment.

Bottom line here? Shop your company among strategics first, see if you get a nibble (or a bidding war!), and then shop to the non-strategics in a second phase of outreach. ■



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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Change takes work, effort, and time

Dear Thea,

I have been with my company for over 33 years. I started with them when I was just out of school and have maintained a traditional credit department relying on tried-and-true methodology to open accounts, collect money and maintain the department (we have seven people total). We rely on bank and trade references and send demand letters to past due accounts. Many of my colleagues are discussing how the role of credit is/has changed over the years and some methodologies are out of date. While I am not narrow-minded, I do not agree. The way I have been running credit at my company has worked all this time. Why mess with perfection?

**Signed,
Staying the Course in Stanton**

Dear Staying the Course,

I like the classics, they are comforting—but even classics get updates. “Pride and Prejudice” got zombies, and vampires can sparkle in the light. My point: Change happens. Whether you want it to or acknowledge it.

You claim your department is chugging along as good as ever sticking with the “tried-and-true.” How can you be so sure? Have you asked anyone on your team? Have you surrounded yourself with like-minded people (and when I say “like-minded” I am really asking if you have a bunch of bobble heads). Do you have anyone on the team that challenges your thinking or are they beat down from the never-ending supply of no, nope, nada? They know you are not open to change and will shoot down any idea to update systems and processes quicker than a fat kid lands on a cupcake.

Have you really looked at your systems and processes with an open mind and used a fresh set of eyes to question how you approach things? Are you sure your way of doing things is not just you being, well, dare I say, narrow-minded, comfortable with the way things are? Or possibly...

fear based, with all the internal negative self-talk that goes with fear of change?

Change takes work, effort, and an enormous amount of time. Changing the way you do things, how you look at the processes, view the team and their contributions, are all much more time consuming than it seems on the surface. I equate it to any home project I have ever done. My famous words are, “It is just new flooring (or kitchen, bathroom, closet shelving system, deck—insert your experience here) how long can this possibly take?” Let’s not even talk about cost. Every project has some necessary and unanticipated additional cost associated with it (along with some new tool my husband claims he needs to finish said project).

That experience sums up what to expect as you start breaking down any process within your department. It will take more time than you expected, and will almost certainly have some unsuspected issues and costs on some level. But if you stick with it, it is very worth it. Just as every time you walk into that lovely new kitchen and appreciate it, wondering why you waited so long to do it, so goes the feeling with your internal processes and structure.

Leveraging technology, thorough automation or artificial intelligence allows you to create a synergy within your department, do more with the same (or less, because let’s be honest...not every employee is created equal) and support the company and its goals.

Leveraging tech does not mean losing relationships and firing the entire department so it runs off the push of a button (although, some days...), it is creating a balance so transactional work is done by technology. That way, you can leverage your team’s individual soft skills like communication, relationship building, and intellect to help evolve beyond the traditional credit and collection department.

I get that you’re in the Old Girls’ club and not everyone can handle change. Do me a favor, dear Staying the Course. Grab your cell phone. Now look at it. I am willing to bet you’re staring down at a smartphone, and not an early version at that. If you can learn and operate that phone, you have already accepted change and proven you can adapt to it. Do it now, before the zombies start to sparkle. ■



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



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REAL ISSUES. REAL ANSWERS.



Turning away business is a big step. But sometimes, customers create situations where it makes the most sense for your company to refuse to sell to them. There are many things a customer can do to land themselves in this situation. Maybe they go out of their way to make you and/or your employees miserable. Maybe they challenge invoices line-by-line and pay late, if they pay at all. Maybe they've worked you so hard on price that it simply isn't cost-effective to continue to serve them. That's why the topic of this month's Real Issues survey is

FIRING CUSTOMERS

BY LBM JOURNAL READERS

THIS MONTH'S QUESTION came from a Florida dealer who wrote looking for insights on when it makes sense to fire a customer. Clearly, refusing someone's business is a drastic step. Yet 94% of respondents to our Real Issues survey report that they have fired customers. As you'll see, the reasons are mostly along a continuum from personality to payment. While caution is clearly in order, it's notable that none of the respondents who shared stories of firing a customer expressed any regrets.

As we do each month, we sent a brief survey to the subscribers who've opted in to receive our email communications. A big thank you to the nearly 200 readers who took time to weigh-in on this month's survey. If you'd like to participate in future Real Issues surveys, just drop me a note at Rick@LBMJournal.com. The issues all come straight from readers—and the reader whose suggestion is selected receives an *LBM Journal* prize pack (mug, cap, polo shirt and more).

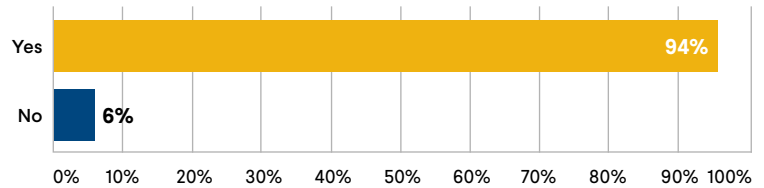
THE QUESTIONS

First, we wanted to learn how many of our readers have fired customers in the past. An overwhelming 94% of respondents said yes. Next, we wanted to learn why readers have fired customers. As you'll see, "made unreasonable demands" was the leading issue at 78%, followed by "non-payment issues" (69%) and "not cost-effective" (57%). Of the choices provided, "made employees miserable" and "excessive product returns" were slightly less common (55% and 38%, respectively). Below are responses given by respondents who checked, "other."

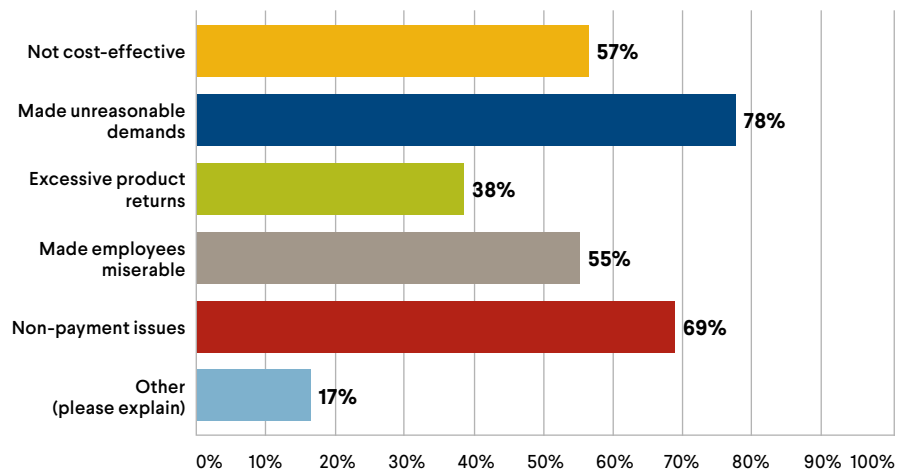
"We employ the Pareto Principle (Rule of 20/80), as modified by the Merrifield Consulting Group. The Top 'A' group of 10% of customers provide 50% of your profits, and we give these customers our cell phone numbers, and return their calls *immediately*. The second or 'B' group of 10% provides 30% of your sales and profits, and these people get the office phone numbers, and can text us for quick responses. These 'A' & 'B' customers give us the 20/80 "heavy half" that we seek. The 'C' customers are the 50% that provide another 10% in sales and profits; we take care of their calls, but no special services or attention. The 'D' customers are those 30% of customers that only provide the final 10% of sales and profits, but they provide probably 70-80% of recalls and time-consuming issues. We usually end up 'suggesting' these D customers deal with 'Company X' which is 'better suited to meet Customer D's needs.' In essence, we 'flush' the 'D' customers, who end up eating our competition *alive!*"

"Lack of trust has played a big part in the firing of customers on a couple of occasions. If the customer questions every price, invoice, product quality, etc., it can be very stressful for both parties. To us, the trust relationship between the supplier and our customers is very important and we are more-than-willing to earn it, but sometimes, no matter how hard we try, it's not there from time-to-time. In those instances, we have found it is easier to let go than fight."

HAVE YOU EVER ELECTED TO STOP DOING BUSINESS WITH (OR "FIRED") A CUSTOMER?



WHAT LED TO THE DECISION TO "FIRE" PAST CUSTOMERS?



"Wanted us to be a 'quote farm,' where we did excessive quoting and not relationship-building. After a half dozen quotes and being told we were too high on all of them, we decided it wasn't a fit."

"Unethical and immoral behavior."

"Cussing out my people is the biggest reason."

HOW WOULD YOU ADVISE THIS DEALER:

"Ten years ago, the market was so bad that we'd take any sale we could get. Today, our business is so strong, and our team is stretched so thin, that something's gotta give. One solution is to rid ourselves of a few customers who are awful to deal with, always complaining, are never satisfied with what we do for them, and relentlessly work us on price. But choosing to turn away business is a big step. What's the calculus to fire a customer?"

"Personality and payment are two of our biggest factors. If they are nice and still don't pay, something has to be done no matter how well you personally like the customer. The other one for us is sometimes you just agree to disagree with someone and if a customer does not personally like us and isn't happy coming in, best to let them drag down other places' morale."

READERS' RESPONSES:

"If the customer is toxic to you and your company and the behavior has been addressed but does not change, let that customer go. Life is short."

"If your team's not happy and stressed, their performance will decline and the effects will be long lasting. You should be naturally selective on what you quote and stand up for and support your team in their most valuable resource...their time." ➔



"Agree no one wants to turn away business, however the things you described as reasons to consider 'firing' a customer are *exactly* why you fire a customer. The customer may learn from this and develop a whole new attitude. LBM suppliers have become our own worst enemy. We often allow customers too much leeway on pricing, payment terms, meeting their demands, and making special trips to keep their job going, all for the meager profit we typically earn. Each supplier needs to choose for themselves, but for far too long, LBM dealers have been beaten down by less-than-appreciative customers. If you are not earning the profit you feel you need and the customer is marginal at best, pays late, and makes employees feel unappreciated, it is time to say goodbye."

"We were servicing the second largest builder in our area for seven years. They did their own materials lists (which were extremely inaccurate), always needed everything ASAP, and returned mountains of hardware and material. Our sales personnel, yard and delivery crews were extremely frustrated. Several meetings offering help in estimating and detailed explanation of the cost to run our equipment and time constraints that were being put on us did nothing to alleviate the problem. We did a detailed cost analysis on this account and made a business decision. I respectfully declined to supply any more of their projects. My crew was elated, the time savings allowed us to target two new accounts that replaced and doubled that sales volume in three months. Do not spend 80% of your time on 20% of your sales."

"We have refused to work with customers for non-payment issues, in the past. We have never outright refused service to a customer for being 'difficult,' but we have bid projects very high in hopes of not winning the bid. That has sometimes backfired, but at least we made a higher margin on that project."

"It's like supply and demand, except this graph is profit and grief. If you determine they are too out of whack, walk away."

"Easy. Calculate the GM% required to supply them with the products and services they demand, then quote accordingly. The downside, when business in your market drops, you will have difficulty coming back to the table with them, so it's best to sit down with them first, communicate your concerns, and find an equitable solution for both companies."

"When a customer is more trouble than the minimal profit they generate. When there is nothing you can do or say that ever pleases them. When they are late in paying you and when you ask for payment, they threaten to take their business elsewhere and then bully your credit department. When they blow a gasket when you try to protect your legal rights to payment by applying lien(s) on their jobsite(s). Then it's time to fire that customer. Hopefully, they will pay you in full and actually go and buy their needs at a competitor."

"Their language or volume of voice, demands which can't be met, blaming us instead of admitting their mistakes, refusal to listen to reason, lying about our 'promises.' We also flag customers with P.I.N. (Pain in the neck) upcharges to re-coup some money we've lost on them, which can only be done with special orders or custom work."

"When conversations with the customer lead to no improvement, we tell them we are not up to their standards and ask them to find another supplier."

"Short-term pain makes long-term gain. Getting rid of bad customers in good times is easier than in bad times."

"If you aren't making money, your employees hate the customer (which will eventually lead to bad service for not only that customer but their next one as well), and there is no long term goodwill coming from the transaction, you have to explain to the customer that either things have to change or perhaps they could be better served by another yard."

"(1) How many times will they disrupt daily business? (2) How many employees will they discourage? (3) Can you make enough margin to offset the above issues? (4) If, after all of the above, they pay late, they are terminated!"

"How much do you actually profit on them over a year? How much time do you spend on them, what are your delivery costs for them, can their returns be resold, are they hard to deal with, do they make you bid everything, do you rebid projects, are their complaints legit, and do they pay on time? I think since you asked the question, you likely know the answer. If you're not making money from their business, fire them!"

"I would simply refocus my efforts on customers who are looking to build strong relationships based on service and quality."

"This is a non-brain issue. Just keep raising prices until they stop coming in. If they don't get the hint, now you are at least making a healthy margin."

"We are already the place people come when they cannot get what they expect somewhere else. We understand that and appreciate it. Our business depends on that type of customer. When it becomes apparent that a customer has unrealistic expectations, it is our opportunity to give them a lesson in real world expectations. Look them straight in the eye and say something to the effect that 'since it's clear that we'll be unable to satisfy your expectations, or to earn a profit from your business, means we cannot help you.' Thank them for stopping in as you escort them to the door and watch them leave the premises. Fortunately, there very few in this category."

“Nasty people can shop elsewhere. Regardless if we are slow or busy, they’re just not worth it. The labor situation is not going to improve anytime in the near future and I seriously doubt their demands will subside. Move on and enjoy the great customers.”

“It’s like having a big splinter in your flesh. It hurts to have it and it hurts to get it out but once it’s out you start to heal and are no longer bothered by it.”

“No one wants to fire a customer, but if you have done your best to find common ground with the customer and still no satisfaction, it’s time to cut the cord. In most cases they will come back.”

“Usually they threaten to leave when you quit giving in to them and stop letting them beat you up on price. At this point I usually tell them that it would probably be best for us to part ways.”

“If you are spending more time, effort, and grief with lower margins on a customer with a small percentage of your total business, it’s time to fire him.”

“Customer is always right. Until they’re not.”

“Do the math. Take the profit \$ you earn from their purchases and deduct the late pay costs + excessive pickup costs + any demands that cost you more than the usual customer + any additional cost of dealing with their difficult behavior. If you can’t get the additional profit necessary to cover all the extras above, then they aren’t a customer worth having.”

“Understand your true cost of doing business with each customer—cost of goods, sales expense, operations expense, delivery expense, cash discounts, rebates, returns—for each customer, and the decision makes itself.”

“When you realize you cannot meet the customers’ expectations, no matter what you do, it is time to politely tell them the two of you are not a fit. In one case, another vendor promised material that was impossible for us to provide. After a few months the customer came back because the other vendor could not deliver on their promises and we had been honest and upfront.”

“Some customers aren’t worth it, no matter how bad the economy.”

“Establish a P&L by customer based on gross profit less direct costs (delivery costs based on number of deliveries, average load size, number of returns per job, etc.). Then meet with the customer and explain the things that the customer or his subs are doing that need to be modified or their prices will have to be increased. If you lose that customer, you are no worse off than if you had them.” ➤

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REAL ISSUES. REAL ANSWERS.

"In this case, it is not necessary to 'fire' the customer. Raise the customer's prices to reflect the true cost to your organization (staff resources and emotional pain) and they may take their business down the street. If they don't leave, then you are being adequately compensated and it is no longer a problem."

"We prefer to let the customer 'quit.' Do not allow price to be part of the conversation, and price these customers at a level that will be worth all the added work and aggravation."

"I only fire chronic slow pay and abusive customers. Several (but not all) came back to me and asked what they had to do to buy from us again. Then we did business with them on our terms. For run-of-the-mill small/slow pay/low margin accounts, we just quote them at a 50% gross margin and they fire themselves. That way we avoid them badmouthing us to other contractors and competitors for firing them. And, if they buy at a 50% margin, the aggravation is worth it."

"It's the old return-on-investment model. How much of your time and resources (people, assets, lost opportunities with other customers) can you afford to waste on the undesirables? If we ever had the luxury of firing the bad apples, it's now."

"If the customer is creating animosity among employees that have to deal with this customer, then you need to consider firing the customer. This also shows the employees that you listen to them and you value their input."

"In this example, keep raising the price. He'll fire himself."

"Every company is different so I would sit down to discuss what customers are on the cut line and why, then decide if the business can be replaced. Personally, walking away from profitable sales is an absolute last resort and is a step that no business owner should take lightly."

"Ten years from now, the market could be bad again so turning away customers only when times are good may seem like a solution at the moment, but needs to be fully vetted. Have you had a heart-to-heart talk with the customer? Does the customer keep their account up-to-date? Do you know why they are so difficult? Is part of the issue customer service? You mention your team is stretched thin. That can create a stressful environment for the employees and the customer, making them both hyper-sensitive. And price-shopping has become the new norm so get used to it. Print out the purchase history, invite the customer in and have 'the talk.' If things don't improve, it might be time to part ways. Your employees will appreciate and respect you for addressing the issue, the customer will know the consequences, and you will be in a position to make an informed decision."

"First, try to avoid burning a bridge. One never knows who will own who down the road in any side of the LBM industry. I would suggest pricing first...pushing the envelope on that. If that does not do it, it might be as simple as a sit down to discuss the issue. If they can't change some of their practices, you will have to part ways."

"We fire customers if they act like children. Throwing tantrums, using foul language, giving us ultimatums, acting like we are causing their issues, continually demanding unreasonable pricing, constantly cherry-picking material lists that we have spent hours on generating and leaving us with the low margin items. Doesn't happen often, but when it does, it's time to say goodbye."

"Raise margin to compensate for their faults and most will go away naturally. If they don't, they may be an acceptable customer with a higher (than before) margin."

"Calculus isn't needed. You know who your bottom five customers are. Call each of them and invite them to meet with you in your office to discuss business for the upcoming year. Yes, the customer may get the sensation of 'being summoned to the principal's office,' and that's okay. It should be that way by design. Lay out the picture of how you feel that customer has come to be in the bottom five, including the metrics you used to measure. Indicate that the goal is to bring the customer above a minimum acceptable standard of partnership. Again, share the metrics of how the customer can satisfy you as a vendor by changing a few basic things. Ask what you as a vendor can do to help facilitate these changes. The majority of these meetings will lead to the customer firing himself, though some will change to accommodate more acceptable practices. Either way, you win because profitability is increased."

"The customer that we fired treated our salespeople terribly, made unreasonable demands, sent deliveries back if he didn't like the truck that they were delivered on, etc. The president of our company paid the customer a visit to explain that we no longer were willing to do business with him. Upon hearing this, the customer wanted to know how he could continue to do business with us. He agreed to make the needed changes and continues to do business with us today. He is still a problem to deal with, but everything that we quote him and sell him we do at higher pricing than our regular price. He demands more so we charge more. The same customer has more claims for faulty products than the rest of our customers combined. Each time he files a claim (usually when he's going on vacation) we add extra margin to the products that he buys until we have recovered the amount of the claim. If he ever does go somewhere else, our staff will hold a staff party to celebrate! Either say no or charge more for dealing with the problem." ➤





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REAL ISSUES. REAL ANSWERS.

“With a small town business, you have to take what you can get. Non-payment is an obvious reason to fire, but sometimes we add on a hidden aggravation fee and let them fire themselves if they don’t like our price.”

“Jack Welch’s philosophy was to annually trim the bottom 10%. I would concur, as long as that trimming does not result in a money-losing situation for the business unit as a whole.”

“There’s usually a price to pay. Say, the company eventually goes bankrupt. The owner and employees go to work elsewhere and carry with them negative memories of being fired by your company. So, you should only do it in the most careful, gentle, non-offensive way.”

“Do it only as a last resort. No need for calculus; you’ll know when it’s the right thing to do.”

“Non-payment is obviously the most common catalyst, but price issues are easier. If it doesn’t make fiscal sense the customer will fire us, and we haven’t burnt a bridge if things should change. Those guys will always take a price if we choose to submit one. I have twice in my career asked a customer to take his business elsewhere due to the manner he treated our employees. We quickly replaced that business and never looked back or regretted the decision. Builders, by nature, are drivers and doers but abusing the folks who get the job done is not good business.”

“Even ten years ago we evaluated our customer base and decided to fire some customers. Much like letting an employee go, it is hard but we realized that it was the best for the organization. When profitability and cost don’t add up and demands are unrealistic on top of that helped us make the decision.” ■

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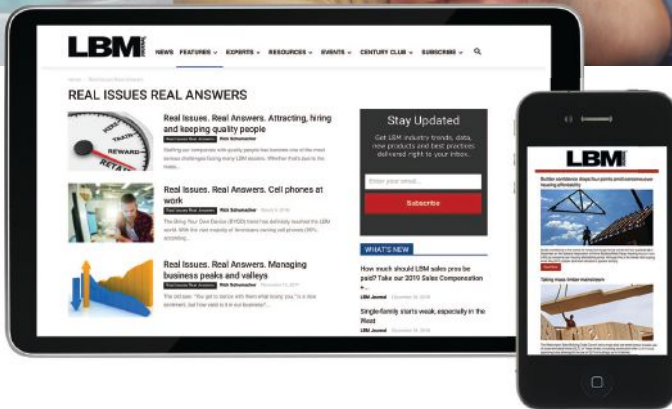
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OWNING IT

PARTNERS FUEL GROWTH AT BARTON'S LUMBER

The LBM industry has more than its share of companies with rich and interesting histories, and E.C. Barton & Co. is no exception. The company's chain of Barton's Lumber Company stores can be traced to a single stack of lumber that sat behind a Jonesboro, Arkansas grocery store in 1885.

Intending to build a new home, grocer P.C. Barton had stacked lumber for the project behind his grocery store for safe keeping. Ever the entrepreneurial spirit, he couldn't turn down a good deal when someone asked to purchase lumber along with their groceries. Soon, lumber became a part of the regular inventory at P.C. Barton Grocers, and years later, Barton Lumber Co. was born.

EARLY YEARS

Barton eventually sold off the grocery store interests and formed what was known as Barton Lumber & Brick. With a focus on building materials, the company grew and in 1928 P.C. Barton was able to turn the business over to his son, Eugene C. Barton, who at just 20 years old, controlled the company that became E.C. Barton & Co.

Throughout the years, the company expanded and built or acquired up to 30 lumberyards at one time. Today, there are 11 in a group called Barton's Lumber Company. E.C. Barton

also has business in the consumer retail markets called Bargain Outlet and Barton's Surplus Warehouse. Those businesses specialize in kitchen design, flooring, cabinetry, plumbing and millwork. In addition, E.C. Barton controls a brokerage company, which purchases closeout and distressed inventory for resale. Today, COO Kevin Pierce says the company has intentionally whittled down the lumberyard locations into a smarter and more efficient grouping of 11 Barton's Lumber stores, nine of which are in Arkansas, and two in Missouri. Within the E.C. Barton landscape the Barton's Lumber stores are 11 of a total of 105 locations in 17 states. The remaining 94 are specialty retail stores.

EMPLOYEE PARTNERS

Pierce has been with the company for 12 years and is particularly proud of E.C. Barton & Co. Employee Stock Ownership Plan (ESOP). Since the 1970s, E.C. Barton, across all its companies, is wholly owned by employees. In fact, people who work for the company are not called employees at all, but rather "partners."

"We specialize in quality products, and offer a great value for our customers, but it is our engaged partners that create our biggest competitive advantage," Pierce says. "When you work with one of our partners you are working directly with





E.C. Barton partners at one of the company's Barton's Lumber locations. Each of the 700 employees across E.C. Barton businesses are owners in the company's ESOP program.

an owner. This mindset creates a unique pride in ownership our competitors cannot replicate.”

There are 700 employees across all E.C. Barton companies, all operating within the same ESOP. Average tenure for an E.C. Barton partner is more than eight years, with several 40+ year partners.

“Time and time again, we are recognized in customer reviews for our exceptional service,” Pierce says. “It goes well beyond a single experience; our knowledgeable partners establish long-standing relationships with their customers. Partners understand, anticipate and react better to customer needs. This results in an overall better experience.”

FOCUS ON SERVICE

That customer service helps to support a customer base of 60% to 75% contractors at Barton's Lumber stores, depending on the location.

“Our business model, combining the specialty home improvement stores with our full-service lumber stores, lends to a focused strategy that creates buying power and gives our partners the ability to find the best quality and prices, to pass that along to our customers,” says Pierce. “That is the business model that has made us successful. Our lumber buying department works with Do it Best and buys direct, which also allows better cost to customers.” >

An engaged partner helps the whole company, Pierce adds. “Everything ties back into an ownership philosophy. We are lean by design, which allows our partners more impact on every part of the business. This all has a direct impact on our customers.”

GROWTH

Much of the company’s growth decisions will be influenced by recent customer research, Pierce says. The company has spent the past year surveying customers and professionals about what is important to them and how all E.C. Barton stores, including Barton’s Lumber locations, can better align to meet those needs. It’s an extensive research process and is helping to shape a strategy for increased brand awareness in the marketplace. The company recently launched a set of pilot stores, styled as Barton’s Home Improvement, to test the research findings in both new and existing markets.

“It’s all about awareness of our brand and what we offer,” Pierce says. “It’s how we go to market and tell our story. Our 134-year heritage in the building material business allows us to provide expert knowledge, service and products. The customer insights from our research are informing our decision on when and where the company needs to meet the customer in their shopping experience.”

Pierce says he also sees technology as both an opportunity and a barrier when it comes to his company’s growth. The challenge of technology in this industry, he says, is the

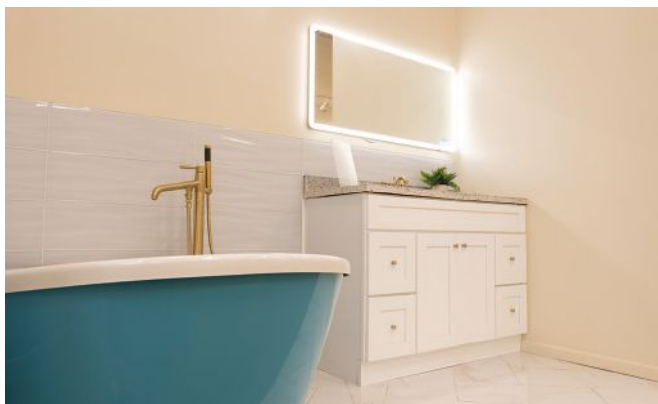
rapid rate at which it is evolving. As business leaders, he looks to the company’s management to anticipate changes and focus on those that will be most impactful. That includes monitoring not only technology trends in the retail industry, but also tech tools that benefit customers.

As an example, Pierce points out that Barton’s Lumber stores transitioned to Epicor BisTrack and provides complimentary kitchen and bath designs in store and online. The company rolled out an ecommerce option this year that allows customers to place an order online and pick it up in stores. Next the company will be testing delivery services in Bargain Outlet and Barton’s Surplus Warehouse stores.

“We have a proven and successful model of consistent growth, we take a test-and-learn approach to everything,” he says. “There are a lot of parts and if you don’t do it right, you can lose out on customers.” He adds that the company is entering an exciting time and part of a great team to move into the next 134 years. ■

GET TO KNOW BARTON’S LUMBER

FOUNDED:	1885
OWNERSHIP:	ESOP
LOCATIONS:	11
SALES SOFTWARE:	EPICOR BISTRACK
PURCHASING GROUP/CO-OP:	DO IT BEST



Of the 105 E.C. Barton locations, 94 are specialty retailers such as Bargain Outlet and Barton’s Surplus Warehouse stores. The remaining 11 locations are Barton’s Lumber, full-line lumberyards.



E.C. Barton Keeps Growing With Better Business Intelligence

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A Focus on Intelligence

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Sales Growth

“Our goal is to keep managers out on the sales floor as much as possible—we don’t want them to be tied up in the back, continually running reports. BisTrack software has given us the opportunity to spend less time in the office on paperwork and more time out on sales floor helping our customers. We’ve seen substantial sales growth from having our team on the floor.”

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- ▶ Helped make proactive, educated decisions with powerful business tools
- ▶ Freed staff to spend more time out on sales floor and less time on paperwork
- ▶ Met the needs of each separate, unique division with customizable software

For more information visit Epicor.com/BisTrack or contact us today at lbm@Epicor.com

E.C. Barton Facts

Founded: 1902

Location: Jonesboro, Alabama

No. of Locations: 104+



Our long history in the industry is something that makes us very unique in the market. We operate different business models in each division, so we have distinct experiences that we can share across each division—which helps us be a leader in the industry.”

—Stephen Rush, Director of Inventory Replenishment
E.C. Barton & Company

EPICOR

HARDWARE: HASSLE OR HIGH-MARGIN OPPORTUNITY?

WHILE IT TAKES DEDICATION, ADDING HARDWARE TO YOUR LINEUP CAN YIELD MANY REWARDS.

BY MIKE BERGER

There's a reason that some LBM dealers focus exclusively on lumber and other materials: to sell hardware, and to do it well, can add thousands of SKUs to inventory, and requires readily-available staff members to help customers find just what they're looking for. On the other hand, hardware products typically offer significantly higher potential margins, which can be very attractive to LBM dealers who are accustomed to razor thin margins on commodity lumber and materials.

In this article, we talk with some LBM dealers who have found hardware to be an effective (and margin-rich) resource for their stores, as well as some of the leading hardware providers.



PROFIT POTENTIALS

According to the Home Improvement Research Institute, home improvement product sales for 2018 totaled approximately \$398.2 billion, a 6.3% increase over the previous year. But when it comes to the dollar figure for the LBM dealer who carries hardware, it's not solely about total profit; it's also about margin.

"When you're talking about profit margin, hardware is doing great," says Mike Matusek, owner of Shelbyville Lumber Company in Shelbyville, Tenn. "We average around 30%, but 40% is our target number. Don't get me wrong, lumber is moving, but the margin is so much smaller and you need to give up margin for product width. Hardware has the benefit of a much higher margin without the necessary need for as much width."

Grant Leavitt, owner of Marcus Lumber in Marcus, Iowa, echoes Matusek when it comes to profitability. "Roughly 18% of our total revenue comes from what we classify as hardware items, which includes items like fasteners," says Leavitt. "And on average, hardware items are closer to 15 points higher in margin than commodity LBM products. Our top ten highest margin departments or 'groups' that we track are all hardware items (paint, electrical, fastener, hardware/connectors, and plumbing).

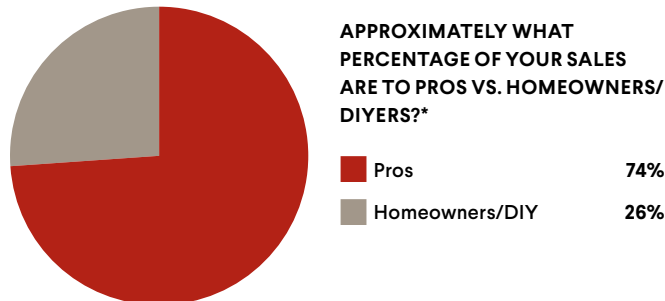
WHO IS THE CUSTOMER?

It's easy to fall into the trap of thinking that the hardware buyer isn't the pro customer, that it's mostly homeowners and DIYers. "We have 4,500 U.S. and international stores," says Jason Blair, senior director of strategic alliance accounts at True Value Company, "with the majority being core hardware stores, but most of them carry some level of lumber and building materials. In the last year, though, we signed a little over 150 LBM dealer locations, and this segment of business is really growing for us."

For Matusek, the mix of customers changes depending on the store. For example, with his family's original operation that opened in 1944, it's a traditional lumber store; thus, it caters to more of a pro customer base. Nevertheless, it also carries a healthy inventory of hardware. When his family purchased a second store (located in Kentucky) that was more of a hardware and garden store, he began phasing in more building products to broaden the store's reach and appeal.

But no two stores are alike. For Leavitt, he estimates approximately 70% of his customers at Marcus Lumber are pros. "It's hard to really break that down for us," he says, "as we are exposed to many of the final consumers through the contractor." Likewise for Robert Hughes, owner of Hughes Lumber in Catoosa, Okla., which has seven locations throughout the state. "Our business is heavily pro-oriented," he says. "However, in our rural markets we want to grow our retail business."

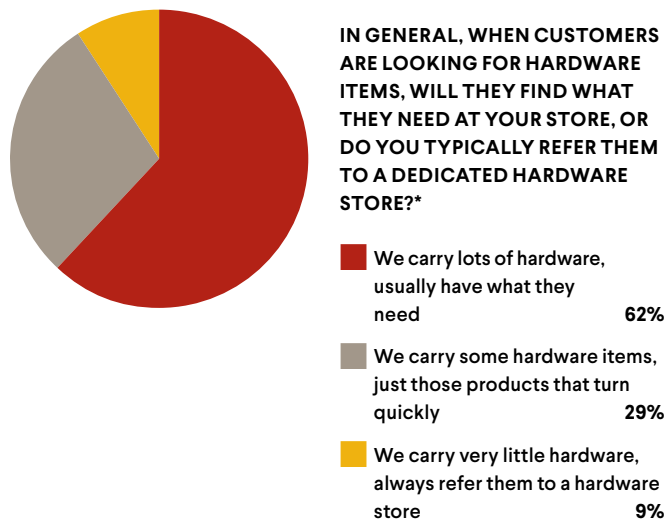
The reality is that it's a blend of customers, and the key to success is not letting yourself become pigeonholed into narrow selling position. "We have a diversified customer mix that consists of hardware stores, home centers, pro lumber-



yards and farm stores," says David Mobley, Orgill's senior vice president of North American sales. "Our assortment mix is structured to support all of these retail formats within all hardlines departments we offer. In addition, this diverse assortment strategy allows any of the retail store types to take advantage of niches that may exist in their marketplace should they choose to do so. For example, a hardware store may have an opportunity to sell farm-related products."

THERE'S MORE THAN PROFITS TO BE HAD

Besides mere dollars, there are other benefits to be had from offering hardware, benefits that can keep an LBM dealer profitable even in a down market. "When the construction and new housing markets are strong, dealers often tend to put their full effort and energy into their larger ticket building materials sales, with little to no focus on hardlines sales," says Do it Best's Vice President of Lumber & Building Materials, Gary Nackers. "The building materials industry is always going to have peaks and valleys, and the diversity of the hardlines business can really help dealers through those valleys. While the transaction will not be of the same size as building materials, the margins are considerably higher and can effectively help support a dealer through slower times." ▶



*Source: LBM JOURNAL Reader Survey, June 2019

By offering hardware, you also gain the advantage of being able to better provide for unique needs. There are niche categories that are underserved in every market, and by identifying those you can have great success. “If you have your sales force ask the questions that identify those needs,” explains True Value’s Blair, “they’ll find they can sell more items.”

And let’s not forget upselling. It’s one thing to be able to sell a door; it’s another to offer the contractor everything else he or she might need for that door installation, and that creates a larger upsellable ticket size. As Leavitt explains, “For example, every new exterior door we sell out of our store should also have with it a bundle of shims, a tube of caulk and a door lock (and we better upsell the handle). With every wood deck we sell, we can upsell the sealer, brushes and gloves for the project.”

DEDICATION DEFEATS THE DOWNSIDE

So with all of this good news, you’re probably thinking there has to be a catch, some pitfall that makes it prohibitively difficult to incorporate hardware into your business plan. In reality it’s not so much of a pitfall as it is a matter of patience and perseverance. “It’s a lot easier to take on lumber than it is to take on hardware, and you have to be prepared for it,” explains Matusek. “You have to give the customer the chance to learn what you’re now carrying, and you have to give your staff the chance to learn what the customers want.”

Complacency is the enemy, and it’s vital for the successful dealer to remain relevant to his or her customer—both pro and consumer. “When you talk about the hard line space,” says True Value’s Blair, “being committed to doing it, having the complete assortment, setting aside the space that you need to execute, and then maintaining it and not forgetting about it is what makes a dealer successful—not ‘set it and forget it,’ but paying attention to it and not letting it get stagnant.”

“IT’S A GAME OF FOOTSTEPS AND EYEBALLS. IF YOU’RE ABLE TO ACCOMPLISH THE HARDEST PART OF GETTING CUSTOMERS IN THE STORE, YOU’RE WELL ON YOUR WAY TO SUCCEEDING WITH AN EXPANDED HARDWARE SELECTION.”

— GRANT LEAVITT, MARCUS LUMBER



“WE ALL NEED TO BE WILLING TO TRY NEW THINGS. AT HUGHES LUMBER, WE CERTAINLY INTEND TO BE TRUE TO WHO WE ARE. HOWEVER, AT THE SAME TIME, WORKING TO BROADEN OUR APPEAL AND ATTRACT A BROADER CUSTOMER BASE IS EXCITING.”

— ROBERT HUGHES, HUGHES LUMBER

Part of that relevancy is the ability to stay laser-focused on the customers you serve, the product trends they want, and the market in which you’re competing. Because of advancements in technology, the last five years have seen a tremendous change in product mixes with the introduction of items such as Nest security cameras and video doorbells, and the successful dealer will be able to address those needs. “We offer a large variety of market-specific tools and resources to help our retailers understand their customers’ needs and wants,” explains Orgill’s Mobley. “We work with our customers to identify and take advantage of any sales opportunities that exist in the markets they serve.”

As well, an LBM dealer needs to be ready to invest in team members dedicated to offering to the customer that laser-focus on hardware. For example, Leavitt points out that it can take a fair amount of time with customers on hardware sales, and the dealer needs to be prepared for that—not just for the customer’s sake, but also for the dealer’s. “Without having the right team members in place to take care of these higher demand/higher touch customers, your staff may not be maximizing their time,” he says. “If you’re having team members help on everything from nuts and bolts to building projects, you’ll be dissatisfied with results.”

Do it Best’s Nackers shares Leavitt’s viewpoint on staffing. “If a dealer is going to be successful in carrying hardware, it requires a different sales mindset from LBM,” he explains. “Relying on the same staff who work the contractor counter to also effectively sell hardware will not drive the category’s growth. When a dealer invests in the right level of service in the aisle they’ll find success in these higher margin products.”

ADVICE FOR SUCCESS

Luckily, the transition into hardware does not have to be painful or terribly difficult. Suppliers often provide support programs to make the addition of hardware as easy as possible by customizing the product lineup and store layout to meet the needs of the individual distributor. For example, in the case of Do it Best, it provides its dealers with an assortment of planograms designed specifically to appeal to the

pro/tradesman customer. This ensures that the dealer can also be positioned as a single source provider for their pros and contractors.

Similarly, True Value launched this spring what it calls the Pro Yard, a dedicated resource that develops custom planograms that are aligned to meet the LBM distributor's needs. "At this point we have developed a little over 280 lineal feet of planograms that are easy to maintain, incorporate 5' gondolas, and speak to the inventory needs of the contractor," explains True Value's Blair. "LBM distributors are sometimes very averse to embracing these SKU channels and all of those pieces and parts, and our goal with Pro Yard is to make it as easy for the end user as possible."

Adding hardware SKUs can seem overwhelming, but remember that you don't have to carry everything under the sun. For Matusek, he found success by incorporating electrical and plumbing so that his customers didn't have to go to multiple stores, along with grills and outdoor items—he even launched a firearms division in 2008 that's been very successful.

"Our advice is to take a micro-marketing approach to the entire retail operation," says Orgill's Mobley. "We assist our retailers in evaluating the market they serve and we use that information to drive the store's assortment strategy, customer service and to employ the right retail pricing based on the competitive realities in that marketplace."

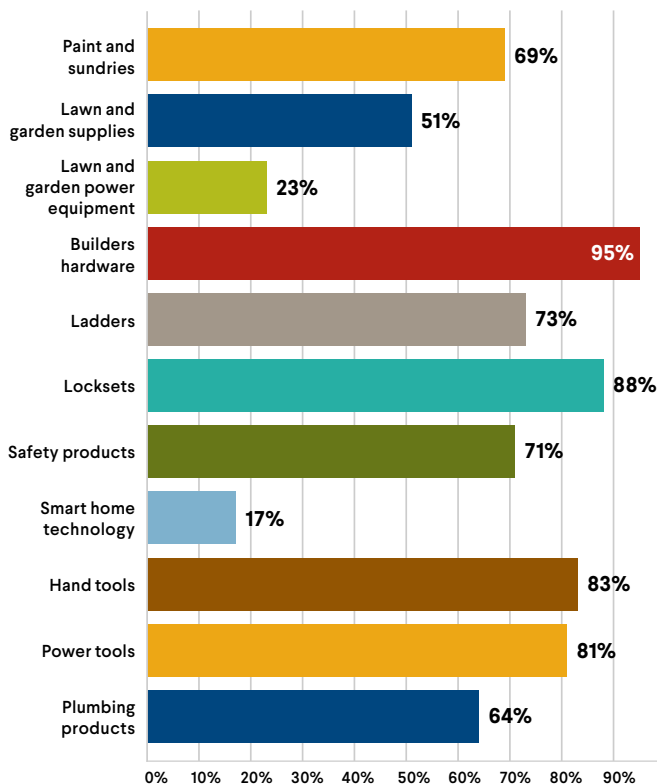
If there is a single piece of advice that everyone interviewed for this article shared, it is to think of adding hardware as a chance to build better relationships with your customers. As True Value's Blair points out, "The existing LBM dealer has this unique opportunity to *determine* what to carry in their store rather than *assuming* what to carry. When the contractor comes in, whether it's for a morning cup of coffee or at the end of the day to write up their order for the next day, ask them where they just came from and ask them where they are going next. Did they just come from a



"LUMBER IS MOVING, BUT THE MARGIN IS SO MUCH SMALLER AND YOU NEED TO GIVE UP MARGIN FOR PRODUCT WIDTH. HARDWARE HAS THE BENEFIT OF A MUCH HIGHER MARGIN WITHOUT THE NECESSARY NEED FOR AS MUCH WIDTH."

— MIKE MATUSEK, SHELBYVILLE LUMBER COMPANY

WHICH OF THE FOLLOWING PRODUCT CATEGORIES DOES YOUR COMPANY SELL?*



*Source: LBM JOURNAL Reader Survey, June 2019

plumbing or electrical supply house, and does it make sense to try to be competitive in that? Or maybe they came from a big box store. You have a great opportunity to build a great relationship with these people by asking them what are those 50 SKUs I need to have for you."

In the end, it's all about getting more customers into your store and then selling those customers more of what they need, and adding hardware to your LBM lineup can be a successful strategy to increasing margin dollars to sales you are already making. "I would encourage any LBM dealer who thinks they may have an opportunity to sell more hardware to trust their instincts and give it a try," encourages Hughes. "We all need to be willing to try new things. At Hughes Lumber, we certainly intend to be true to who we are. However, at the same time, working to broaden our appeal and attract a broader customer base is exciting."

Perhaps Grant Leavitt summed it up best: "We've continually been amazed at what sells when we never thought we could be in that space. It's a game of footsteps and eyeballs. If you're able to accomplish the hardest part of getting customers in the store, you're well on your way to succeeding with an expanded hardware selection." ■

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

IN DEPTH

RACKING & DELIVERY

3



EFFICIENCIES AND LOGISTICS IN TODAY'S EQUIPMENT DELIVERS INCREASED PRODUCTIVITY AND PROFITABILITY FOR LBM DEALERS.

BY MIKE BERGER

THERE WAS A TIME IN THE NOT-SO-DISTANT PAST that lumberyards consisted of little more than stacked piles of materials arranged outside and left to weather the seasons. As well, the machines used to move materials within the yard and ultimately deliver them to the customer hadn't advanced much past the simple forklift and flatbed trailer. But those days are gone. LBM dealers aren't in the construction supply business any longer. They're now in the logistics business.

With companies working to make their operations as lean as possible, the way that materials are stored and delivered deserves a spot at the heart of that effort. We interviewed companies that make warehouse racking systems and companies whose products move, transport, and deliver materials to learn the best practices for increasing efficiencies, and one thing is clear—it's about working smarter, not harder.

EFFICIENCY IS KEY

Back in October of 2008 during the Great Recession and the downturn of the housing market, new privately-owned housing units by building permit were a mere 708,000. By April of this year, the U.S. Department of Housing and Urban Development reported that privately-owned housing units authorized by building permits were at a seasonally adjusted rate of 1,296,000.

In many cases, LBM dealers are struggling to keep up with the pace of growth. "Back in the day, many dealers were still rebuilding the balance sheets," says Travis Darnell, president of CT Darnell Construction & Sunbelt Rack. "But right now, it's just too damn busy. They're getting by, and they know they can do better, but they don't have the time. Now that business is back, they need to create more capacity." Investments in racking and delivery equipment enable dealers to achieve that needed capacity and help them work more efficiently.

When it comes to modern racking systems, there are tremendous benefits to be had. Materials can be better organized, better stored, and out of the weather. There is reduced materials damage and reduced handling. Because the materials are stored in a protected environment, sun bleaching, warping, plus rain and snow damage become a thing of the past. And perhaps most importantly, safety is improved. "There are all sorts of safety benefits when the material is in the right kind of rack," says Darnell. "The staff is picking and pulling properly, thus reducing workers comp claims."

Picking and pulling is further improved through the utilization of a well-thought-out racking system, one



that increases efficiency. As Darnell explains, "Invest in a storage layout plan; that way you'll have the fast movers up front and the slower moving things in the back to reduce travel time during the pick pattern. If you do that with some real thought and analysis you can reduce lots of wasted time."

When it comes to delivery and material handling equipment, the benefits are similar to racking systems. Today's narrower equipment allows for increased indoor and outdoor storage capacity without the need for additional warehousing. They maximize safety when handling materials, and they minimize or altogether eliminate product damage. They increase efficiency by enabling faster and more accurate material handling, and they reduce fleet size through innovative, multi-purpose design.

Gearoid Hogan, vice president of sales and marketing for Combilift, points out his company's four-way steering system as an example of innovative design that increases efficiency. "LBM dealers incur expense in moving material from A to B," he explains. "It is part of the business but the ultimate goal should be to handle this material as efficiently as possible especially with longer product such as EWP. Combilift forklifts are equipped with a unique four-way steering system that allows the units to travel sideways with long product. This system gives the user multi-directional capability." ➤

ABOVE: Combilift's C8000 is a multi-directional forklift designed for efficient handling of long and bulky loads. It features a rubber mounted cabin, 3-wheel hydrostatic drive, hydraulic oil cooler, load sensing steering, and multidirectional operation.

BELOW: The Combi-PPT is a high-performance pedestrian-operated powered pallet truck with a range of capacities up to 35,000 lbs. which enables the safe and secure transportation of very heavy loads without the need for a ride-on forklift. According to the manufacturer, the Combi-PPT's unique design is ideal in confined spaces, ensures optimum visibility of the load and surroundings for the operator, and guarantees maximum safety in areas where other personnel may be present.



OPPOSITE PAGE: The Sunbelt Rack Power Bin from C.T. Darnell handles and stores lumber, siding, MDF moulding, composite decking and other building materials. According to the manufacturer, a battery-operated loader deck loads material into pigeonhole bins equipped with heavy-duty rollers in approximately one minute. The bins can be customized and configured to specific needs.

IN DEPTH RACKING & DELIVERY

SAFETY FIRST

For today's LBM dealer, being efficient and working smarter also means working more safely. "Safety is becoming more and more part of the discussion," says Hogan, "especially in areas with high pedestrian traffic such as in a packing or strapping area." To that end, product manufacturers are incorporating more safety features than ever into their product offerings. Operator presence systems, blue light pedestrian warning lights, and hydraulic scales to indicate if a forklift is overloaded are now commonplace and help increase both operator and bystander safety.

RIGHT: Center-Line's curtain-side trailers increase transportation efficiencies, allowing materials to be loaded to evenly distribute weight rather than by destination. As well, because forklifts have greater access, the trailers are faster to load and unload, and they eliminate the need for the driver to climb on the load or tarp it for protection during delivery.

BELOW: The HIAB X-HiDuo 228 features a full outreach of over 56', and weighs approximately 5,500 lbs. According to the manufacturer, because the unit is constructed from high-tensile steel, it can deliver unexpectedly heavy loads. The unit's remote control features simultaneous movements and intelligent features that help keep the load stable.

Safety doesn't stop once the materials are loaded and ready to go. Delivery trucks themselves now also are equipped with features that increase safety. For example, rather than utilize open flatbeds that require time-consuming tarping of materials or dangerous crawling over loads, LBM dealers can instead turn to curtain-side trailers. These trailers allow for easier loading and unloading, and because the driver doesn't need to tarp the materials, he or she can stay safely on the ground, resulting in a decrease of potential injuries, insurance costs and claims.



THINKING OUTSIDE THE BOX

If there is one arena in which state-of-the-art racking and material handling systems truly enable LBM dealers to work smarter, it is through enabling the dealer to think outside the box and find unique solutions for dealership problems. For example, side loading lifts like those from Combilift can operate in narrow aisles, thus allowing the LBM dealer to potentially increase the number of racks without changing the overall footprint of the warehouse. "At Combilift, we will not just tell LBM dealers what our expertise can bring to their business, we will show them," says Hogan. "We offer a free warehouse planning consultancy service to help the LBM dealer see the potential Combilift can unlock within their existing or new footprint."

Travis Darnell echoes Hogan's comments regarding planning. "If an LBM dealer will let us come in and look at the overall facility, we can help create a cohesive plan," he explains. "Too often a warehouse was put together piecemeal over the years rather than organically as a whole. We may actually scrap some racks that aren't obsolete but lay it out with a true planning around the picking order and plans, getting the fast moving items up towards the loading docks."

For the dealer that is extremely space challenged, specialized equipment can allow for higher stacking—a benefit especially when a large number of SKUs are involved. "A lot of lumber yards in the northeast, in the Caribbean, in Manhattan and other urban areas are extremely space challenged and the only place you can go is up," says Sunbelt Rack's Darnell. "Our Power Bin system lets you do just that—go up. And it's great where there are a lot of SKUs of very specialized stuff—every piece of redwood for example, a different bin for each piece of redwood. It's expensive material that can't be stored outside.

Ernest Hemingway once quipped, "Never mistake motion for action." Those words could easily be used when talking about the challenges of material storage and movement for the LBM dealer. For in the end, it's not about storing or moving materials. >

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Today's LBM dealer needs to solve problems that transcend mere logistics. Innovative storage solutions solve problems such as creating faster picks, preventing damage to materials, and being able to store more material under one roof. The results of these solutions

are increased productivity for the LBM dealer and better satisfied customers.

The same holds true with material movement and delivery. By creating mobile solutions that enable the LBM dealer to more quickly and more safely get materials from the yard to the job-

site, today's vehicles, cranes and trailers increase efficiency, productivity, and in the end, profitability.

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

GPS AND MAPPING SOLUTIONS

Imagine a world where you as an LBM dealer had such complete control over your delivery fleet that you could proactively schedule preventive maintenance, and track deliveries to ensure the fastest times and best use of fuel, all while increasing both efficiency and customer satisfaction. With GPS tracking and mapping systems, you can. More and more, lumber fleets are turning to these technologies to help solve their individual challenges to become more efficient than ever.

"Having access to vehicle location information is crucial for providing best in class customer service," explains James Stevenson, an executive at Trimble MAPS, a maker of GPS-based mapping and data software platforms. "With GPS technology, you can retrieve dynamic, precise ETAs in real-time and share that information directly with customers. The cost and resources of a 'where's my delivery' phone call can be substantial to a business."

Stevenson goes on to explain that by pairing GPS technology with mobile solutions, an LBM dealer can geocode locations that may not appear on maps for easy future returns to that delivery destination. As well, drivers can be navigated with safe, turn-by-turn directions on commercial vehicle-specific roads, and they can get proactive notifications on planned versus actual stops.

EMBRACE THE CHANGE

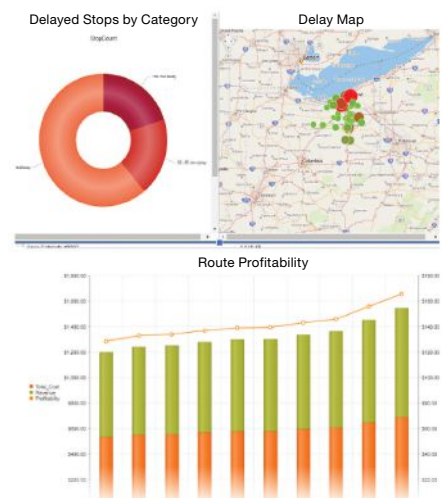
As with any technology, there is always a reluctance from some to embrace its potential. Concerns seem to especially arise from long-time employees who might be reluctant to change, as well as from those who see this type of technology as an invasion of privacy or an indicator of a lack of trust. In these cases, it is vital to effectively communicate the benefits to be had.

"A common concern we hear from lumber dealers regarding fleet solutions has nothing to do with the actual technology," explains Jenny Shiner, marketing communications manager at GPS Insight, a developer of GPS-based fleet software. "They are concerned with the best way to introduce the technology to their veteran employees. To experience success, we recommend open communication with employees about why you are using it, as well as addressing their concerns from the start."

Stevenson agrees with Shiner regarding employee pushback, and suggests stressing the technology's ability to increase customer service as a method for overcoming those fears. "The key is selling it as a customer service tool rather than a 'big brother' technology to watch drivers," he says. "These technologies can help drivers with work efficiency—receiving manifests electronically, feeling safe with commercial vehicle navigation that can help them navigate around unexpected delays, and being provided instructions at each stop."

IT'S MORE THAN DOTS ON A ROAD

It is important for LBM dealers to not see GPS and mapping technologies as simply a means to track trucks on the road. While many dealers initially gravitate towards that functionality, there are more efficiencies to be had. "Many invest in the technology only to have it become 'Where's my dots' on a map," explains Stevenson. "They need to complete the circle by choosing a partner that integrates with back office planning and



ABOVE: Appian Business Intelligence from Trimble MAPS helps fleets understand driver performance, service levels, and enables benchmarking across the enterprise. It combines all the planned routing data along with the actual data captured by the telematics system to create singular dashboards for on time performance, account history, and driver performance.

BELOW: GPS Insight's tracking technology is designed to provide access to your fleet's information from one simple interface. It allows you to retrieve detailed history for any vehicle in your fleet, monitor and coach driver behavior, extend vehicle and asset lifecycles, allows for the creation of on-demand and automated reports, and is mobile friendly.



dispatch tools to ultimately provide superior customer service that differentiates them from the competition.”

“LBM dealers are using fleet technology to address their drivers’ exposure to risk on the roads, inefficient practices that waste time and money, and a lack of visibility over their mobile workforce,” adds Shiner. “To have the most significant outcome using fleet technology, LBM dealers should focus on what their specific challenge is currently, and work with a provider that can help guide them to the right features and use cases to deliver measurable results.”

INTEGRATION IS EASY

While new technology can seem daunting, the makers of GPS mapping systems make it as easy as possible to integrate the software into an LBM dealer’s business. As GPS Insight’s Shiner points out, “We understand it’s about more than just offering the right features; it’s about

providing the tools our lumber customers need to experience success with our technology. We combine our fleet solutions with an active partnership approach to help our customers connect their strategic goals to the data they receive from our platform. Our account management and support teams have received numerous accolades for their dedication to customer success and problem-solving.

Likewise, Trimble MAPS also offers an array of services to LBM dealers. “We provide implementation and training services to every new customer as well as a follow up program called Value Optimization for existing customers,” says Stevenson. “In addition to a wide variety of professional services, which include onsite training, we also focus heavily on continuous improvement to ensure optimal usage and return on investment associated with the software for the long-term.” ■

INTERNET INFORMATION

Companies highlighted participated in this article.

Center-Line Trailers:
www.center-linecurtains.com

Combilift:
www.combilift.com/us

CraneWorks, Inc.:
www.crane-works.com

GPS Insight:
www.gpsinsight.com

Hiab:
www.hiab.com

Hyster:
www.hyster.com

Krauter Auto Stak:
www.ks-ka.com

Sellick:
www.sellickequipment.com

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Trimble MAPS:
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Simpson Strong-Tie Deck Planner Software

Simpson Strong-Tie has launched an enhanced online Deck Planner Software tool engineered to help deck builders and homeowners quickly and easily design their dream deck. Featuring 3D software, design guides and an in-app user tutorial, the free web-based design center is said to provide a suite of intuitive tools and resources for designing and building stronger decks. Powered by an in-app tutorial that guides users step-by-step through the custom deck design process, the software allows users to select shapes, modify dimensions and choose from various deck board and railing options. One-click toggling between 2D and 3D design modes makes it easy to view and design in different perspectives. The software also highlights the critical connections for building a strong, safe deck and recommends hardware based on any design the user customizes. When the design process is over, a full output report is generated that includes a bill of materials for all lumber, decking, railing and hardware necessary to build the deck. www.strongtie.com/deckplanner

Simulated Divided Lights Glass Options from ODL

ODL, Inc. now offers simulated divided lights (SDL) with clear and textured glass options. ODL Traditional Style SDL sits in the ODL Evolve frame, an injection molded frame that creates the frame and grille together rather than applying the grille to the glass and frame separately. The process is said to simplify installation and make the frame less likely to warp or separate from the glass over time. Available in Oak or White, the frame can be painted or stained any color. Traditional Style SDL is offered in a variety of light

configurations in both clear and textured options that offer varying levels of privacy. Rain style is designed to resemble the look of a downpour running down a glass surface. Baroque offers a more moderate level of privacy through a flowing design. All configurations are available in energy efficient Low-E doorglass, which helps meet ENERGY STAR requirements. www.odl.com



Royal Building Products PVC Column Wraps in Sand Dune

Royal Building Products has added the color Sand Dune to its line of PVC Royal Column Wraps. Sand Dune is a neutral beige tone and is available in Traditional, Craftsman, and Contractor styles. In addition to Sand Dune, the column wraps are available in a ready-to-install white finish that can also be painted with vinyl-safe paint to complement a home's exterior color palette. Made from cellular PVC, Royal's Column Wraps are designed to be resistant to moisture, preventing issues found in traditional wood columns, such as warping, rotting and insect damage. Backed by a limited 25-year warranty, Royal's Column Wraps are available in four widths to fit around 4x4, 6x6, 8x8 and 12x12 structural posts, and two standard lengths—8'6" and 10'. Royal has also added a new 12' length available in 6x6 (shown), 8x8 and 12x12 column wrap size that is available in white in all styles. The product is wrapped in a protective film that can be removed after installation. The 100% cellular PVC column wraps feature a unique "clam shell" design with three pre-assembled sides that surround the existing post, designed for a seamless appearance. The fourth side is applied to enclose the entire column.

www.royalbuildingproducts.com

Custom Equipment Hy-Brid Lifts

The new line of Custom Equipment Hy-Brid Lifts is divided into three series—the Push-Around Series (PA Series), Pro Series (PS Series) and Zero-Turn Series (ZT Series). The Push-Around Series, is designed to enable users to manually maneuver the units into place and hydraulically raise and lower to the desired work heights. The Pro Series includes features designed for professional trades. The PS Series lifts address specific needs of professionals working indoors in applications that require operators to work at elevated positions for prolonged periods of time, including construction and facility maintenance. The Zero-Turn Series includes the ZT-1230 and the all-new ZT-1630. The ZT Series is the most compact series in the lineup, designed for access to areas other lifts can't reach. All Hy-Brid Lifts are USA-made with high-grade steel, and all feature non-marking tires and a low step-in height. www.hybridlifts.com



GRX Gloves from PrimeSource

PrimeSource Building Products now carries a new range of cut-resistant gloves under its GRX brand. The 700 Series glove, with PalmWick breathable palm technology contains a special nitrile coating designed to allow sweat and moisture to wick away through the palm of the glove. The 600 Series, with ExaGrip latex palm contains a proprietary palm coating designed to handle most abrasive tasks. The 500 Series features polyurethane palm coatings in multiple styles designed to offer an ergonomic fit in traditional cut-resistant liners. Each series is said to offer a great grip in wet, dry, and abrasive applications. Available in sizes S to XXL. www.grxgloves.com



Rustic Beams from Ornamental Moulding & Millwork

Available in both Ambrosia Maple and Prefinished Gray, the 8' hollow Rustic Beams are designed to be easy to install. Made of real wood, the U-shaped beams come with mounting plates and hardware needed for the installation. Measure, cut-to-size, affix the mounting plate and then install the beam to the plate. Introduced to complement the company's existing line of rustic boards, mantels and mouldings, the Rustic Beams are 5" wide and come in options of 3" or 5" in height. Each piece comes pre-stained and ready to install. www.ornamental.com



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PRODUCT PICKS

Oldcastle APG's Echelon Aria Slim Stone

Oldcastle APG's Echelon brand has introduced Aria Slim Stone full-depth veneers, designed to deliver a distinctive, modern aesthetic, increased durability, and reduced installation time. Available in five colors and four finishes, Aria Slim Stone features Alabaster, Graphite, Limestone, and Buff. Aria Slim Stone is designed to offer flexibility for interior and exterior installation and features a linear profile enabling the application of the same veneer on both facades and in corners. The 36" long veneer design is said to offer a solution to the labor shortage by reducing installation time, while a full 3-5/8" bed depth enhances durability, the company says.


www.echelonmasonry.com




DEWALT Woodcutting Circular Saw Blades

DEWALT's new 6-1/2" to 8-1/4" Woodcutting Circular Saw Blades feature a new tooth design to reduce vibration, high-density carbide teeth, and a reinforced shoulder. ToughTrack technology, a tooth design featured on the new DEWALT framing and ripping blades is engineered to deliver straight, accurate cuts over the life of the blade. The blades' ATB+R tooth grind is designed to help clear debris from the cutting channel, allowing for tracking and straight, smooth cuts. The teeth on the blades are made of high-density tungsten carbide that helps them resist wear and provides long life. The blades come with a ToughCoat anti-stick coating to reduce friction and gumming. Optimized for use on both corded and cordless circular saws, like the DEWALT Circular Saw (DCS570). All 6-1/2" and 7-1/4" saws as well as combo kits that include saws will include these blades. www.dewalt.com






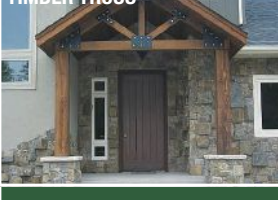
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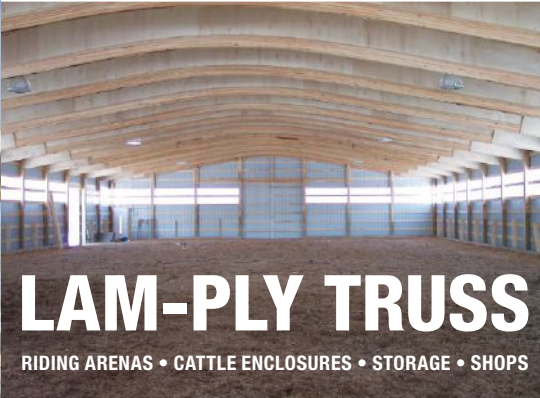
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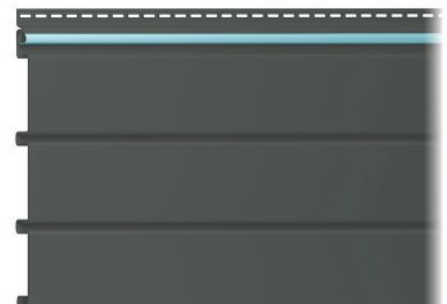


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Alside black vinyl soffit

Alside has added a black color to its Charter Oak and D5 Punched Vinyl Soffit lines. The products are designed as a low-maintenance option for porch ceilings, overhangs or focal points where homeowners want to create high-impact appeal. Charter Oak is said to be five times more rigid than leading competitive soffit panels, according to independent testing, and spans uneven surfaces while resisting sagging over long runs. The new black color used as an accent in soffit applications is designed to mix well with existing vinyl siding standard and architectural colors. In addition, the new Charter Oak and D5 Punched Vinyl Soffit offers a lifetime transferable warranty. www.alside.com



GOT OFFENSE?

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ESTABLISH THE RIGHT METRICS

This session offers the latest concepts in the discipline Rick has named "Sales Economics." Lots of people succeed by accident; this session demonstrates how to create success on purpose. Attending managers will receive the scorecards and templates for measuring activity that leads to predictable future results.

MANAGE THE INVISIBLE PERFORMER

If you can't see what the salesperson is doing when you're looking, you can't know what they are doing when you're not looking. This session illustrates powerful coaching techniques that improve performance. Managers will learn a three-step process to confidently build the quality performance wanted in a professional salesperson.



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BY KEVIN MCKENNEY

Legislative outlook heading into August recess

AS CONGRESS IS HOME FOR AUGUST RECESS, there are a number of legislative items that need to be resolved as we approach the end of the fiscal year.

The most pressing issue on Congress's plate is the need to raise the country's debt ceiling within the next few weeks. Earlier this month, Treasury Secretary Steven Mnuchin informed Congress that the U.S. government could run out of cash sooner than expected and is at risk of defaulting on its obligations by early September.

This warning from Secretary Mnuchin has created a sense of urgency on Capitol Hill to resolve the debt ceiling issue before Congress heads home for August recess at the end of the month. Further, Congress will need to pass a new budget by September 30 to avoid \$126 billion in automatic spending cuts to domestic and defense programs, known as sequestration. This is a situation both political parties are hoping to avoid.

As a result, the focus of negotiations between the White House and Congress thus far has centered on a potential two-year budget deal that would stave off sequestration and also raise the debt ceiling. On Thursday, the Trump Administration and Speaker Pelosi announced they were close to a deal and had agreed on the top-line spending levels for defense and domestic programs. Once these top-line spending levels are established in the budget agreement, Congress can then move forward with a government funding bill for fiscal year 2020 to avoid a potential shutdown on October 1.

Another legislative debate that will be playing out in Congress this fall will revolve around expired tax extenders. These are a series of tax incentives that elapsed in 2017 and have yet to be renewed. Among these provisions are three incentives important to the construction and manufacturing industry: 25C, 45L, and 179D. The 25C provision provides homeowners with a tax credit for investments in energy-efficient windows and doors. 45L provides eligible contractors with a tax credit for constructing energy-efficient new homes. 179D enables building owners to claim a tax deduction for installing energy efficient systems and buildings.

The path forward on tax extenders remains unclear. Many Republicans view tax extenders as a potential vehicle to fix technical errors in the Tax Cuts and Jobs Act (TCJA), such as the Qualified Improvement Property (QIP) glitch, while some conservative members would like to eliminate tax extenders all together. Democrats are looking to use

tax extenders as an opportunity to rollback provisions of the TCJA. However, this is considered a non-starter for President Trump and congressional Republicans.

Attaching tax extenders to the budget deal or other "must-pass" legislation by the end of the year remains the most likely outcome for passage. NLBMDA is working with coalition partners and Members to ensure this legislation gets enacted and reflects our association's priorities.

Finally, the White House has been gearing up with congressional allies to push for ratification of the United States-Mexico-Canada Agreement (USMCA) in the second half of 2019. Last month, Mexico became the first country to ratify the USMCA and Canada is expected to take it up in the fall.

On May 30, U.S. Trade Representative Robert Lighthizer formally sent a draft Statement of Administrative Action to Congress which allows the Trump Administration to submit the final implementing bill to Congress after a 30 day waiting period. Once the final bill is submitted to Congress, the House has 60 session days to vote up or down on the agreement followed by a 30 day window in the Senate.

Democratic leaders have expressed concerns regarding the USMCA's labor, environment, pharmaceutical, and enforcement provisions which has put ratification in jeopardy. Speaker Pelosi has indicated that Democrats would be open to approving the USMCA as long as their concerns are addressed by the Trump Administration. Republican leaders in both chambers of Congress have been strongly supportive of efforts to ratify the agreement. NLBMDA continues to advocate for the USMCA and educate Congress on the importance of this agreement for our industry.

All of the pending legislative issues will be taken up under the shadow of the 2020 Presidential election. This will surely shape the final outcome and could complicate matters further. Ten congressional Democrats are running for president, including seven Senators, and they will be looking to differentiate themselves from President Trump.

Meanwhile, Republicans will be looking for a string of legislative accomplishments that they hope will help them not only retain the White House in 2020 but also retake the House majority and hold battleground Senate seats in states like Arizona, Colorado, Iowa, Maine, and North Carolina.

It is shaping up to be an eventful second half of 2019 and NLBMDA is committed to navigating the tricky political climate to ensure our member's priorities are reflected in legislation passed by Congress. ■

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

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IBC=inside back cover, IFC=inside front cover, OBC=outside back cover, BB=belly band, INS=insert, PB=polybagged, WP=white paper

THE DEVELOPER AND THE RED FLAG

A DEVELOPER WHO'S PROVING TO BE LESS-THAN-HONEST IS OFFERING THE POTENTIAL FOR A LOT OF MATERIAL SALES. WHAT WOULD YOU DO?

Oppportunity Homes is a new development of mid/high-priced, single-family homes in your market. You worked closely with Abe, a close friend and one of your best builder customers, on the quote that ended up generating a healthy share of the work on these homes. As with many new homes, these were all marketed with unfinished basements. However, buyers in this price range don't want unfinished basements, so after four months with no sales, Gloria Opportunity, the owner of the development company, knew something drastic had to be done, so she chose Abe to finish the basement in the model, adding: "If the new lower level fits the rest of the home, we'll hire you to finish the lower levels in all of the homes."

Naturally, Abe's designer invested extra time to make sure the layout optimized the space, using materials that complemented and coordinated with the rest of the house. Knowing that project was an audition to complete the rest, Abe and his team took the time to make sure everything was done to perfection.

During the initial walkthrough, Gloria loved it, and told Abe it was looking positive. All was well, until a week later, when Gloria called and said that she noticed deep scratches on the majority of the lower level stairs. Abe went to take a look and saw big scratches that definitely weren't there when he and his crew finished their work. "I didn't see these when you finished," Gloria proclaimed, "but clearly it happened as your crew was packing up to leave. I can't have you finish the basements in the rest of the development if they're going to look like this. How quickly can you replace these stairs?"

Though he knew his crew didn't cause the damage, Abe decided the smart business move was to sand and stain the stairs to hide the damage no charge. Gloria approved the repairs and Abe told you everything was OK going forward.

And it was, until a week after Abe repaired the stairs, when Gloria called you directly. "I know that your company supplied the materials for the basement in our model home. Most of the stairs are badly scratched, and the builder won't return my calls. If you don't refund my cost of the damaged material, which was clearly delivered and installed this way, then we'll likely have to find another builder, and another supplier, to complete the basements in the rest of our development."

Clearly, Gloria has no idea that you and Abe are friends, and since friends talk, you know that Abe had nothing to do with the initial damage, and that he repaired the stairs to her satisfaction. You also know that Abe returns calls—



especially from Gloria. Gloria is wrong to place the blame on you and Abe, and her story about Abe not returning calls is a red flag. However, there are 47 more residences in Opportunity Homes with unfinished basements. If you can keep Gloria happy, that's a nice piece of business for you and Abe. Unless, of course, Gloria would turn out to be one of those customers whose business is more trouble than its worth. What would you do?

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- 1 NO REFUND.** Explain that you've talked with the builder, and understand that the damage has been repaired to her satisfaction.
- 2 PLAY IT OUT.** Tell her that since you haven't done business together, you'd like to meet her. In fact, how about you and the builder meet her at the model home and see the damaged stairs?
- 3 CALL HER OUT.** Tell her that you and Abe are friends and you know the damage has been repaired. Ask her if this is how she does business, and if it is, she'll have to find another supplier.
- 4 PAY THE REFUND.** Tell her you know that the stairs have been repaired, but you stand behind your materials. Agree to the refund as a one-time courtesy, provided you and Abe get the business.

SOMETHING ELSE?

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



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