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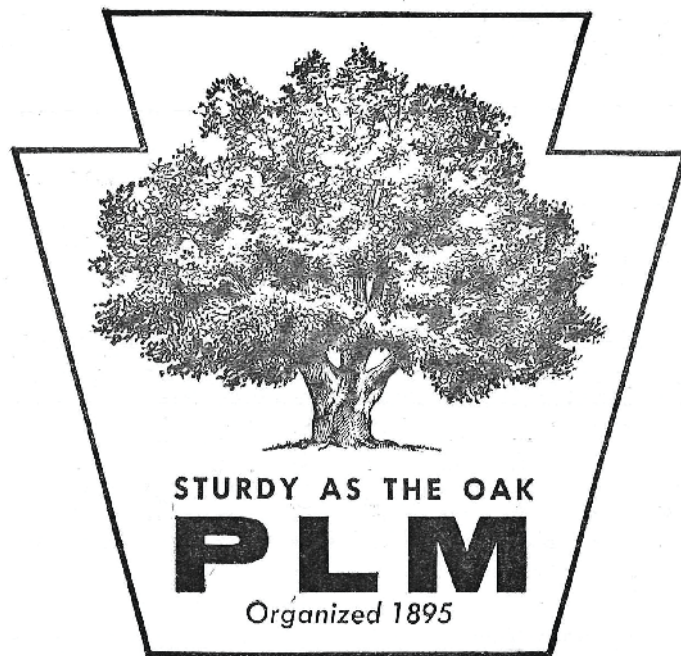
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² BUILDER magazine Brand Use Study, 2002-2018, OSB Category.

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BRINGING HIS A-GAME: THE PROCESS OF BETTER BUILDING



Jake Bruton has always craved just a little more time to make his projects better. It's that same drive to find a better way of doing things that has since found its way to his construction company, Aarow Building.

"Since taking over Aarow Building 11 years ago, I have strived to set our company apart by using better products and processes," Bruton said. "I take pride in the work I do each day, and I want to provide homeowners with a house that is better built, will last longer, and will be healthier and more comfortable to live in."

Jake brings 20 years of carpentry to the job each day, which starts as early as 4 a.m. and involves constant collaboration.

"We handle problem-solving as a team so everyone involved can learn and take that practice to the next job." For Jake, it's not always about rushing to meet the deadlines. With a consistent focus on quality, he leads his teams to consider the details and be purposeful each step of the way.

"I decided by focusing on quality I needed to allow myself to go, 'well, it's OK it's going to take a little bit longer to go the last five steps.'" Ultimately, Aarow

"I decided by focusing on quality I needed to allow myself to go, 'well, it's OK it's going to take a little bit longer to go the last five steps.'"

Jake Bruton, Owner
Aarow Building

Building is focused on making homeowners happy by bringing its best work to every job, no matter the size.

"Whether it is a bathroom remodel or a newly built custom home, our work brings joy to the homeowner when it's finished," Bruton said. "The only way to ensure that happens is to pay attention to the details and take pride in the work we are doing each day. This is something that varies significantly from old-school methods of construction."

To build better, more durable and energy-efficient homes, Jake spends time developing

relationships with quality subcontractors and product manufacturers so he has a like-minded team he can trust.

"We work with manufacturers like Huber Engineered Woods because they not only provide us with high-quality products, but they also provide us with quality service. Being granted access to reps who help us solve issues is hugely beneficial to us as a company, and it goes above and beyond the type of support we receive from other manufacturers."

A-game builders like Jake Bruton bring their best to every job. [Watch his full story at AdvanTechAGame.com](https://www.advantechagame.com) or by scanning the QR code below.



Open your smartphone camera app to scan QR code for video link.

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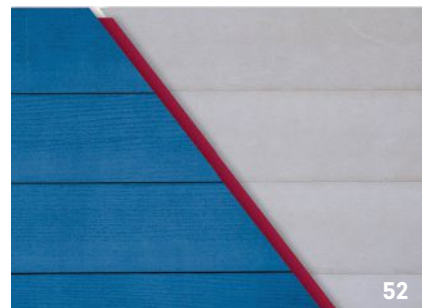
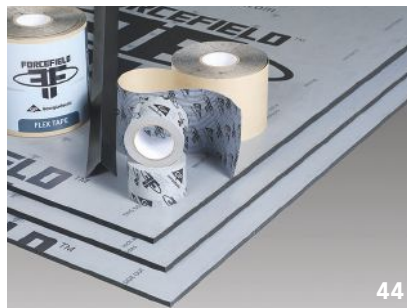
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THE DECADE OF THE 1920s is stuff of legend, marked by flappers, jazz music, and Prohibition, all on a backdrop of economic prosperity. One hundred years later, the cultural landscape may have changed, but our economy is alive and well. Though economists warn of an impending recession—because that's what economists do—homebuilders are not thinking recession at all. Indeed, NAHB recently reported that builder confidence in the single-family home market jumped to 76 in December, the highest it's been in 20 years.

With unemployment at historic lows, the stock market at record highs, and much of our economy hitting on all cylinders, there's no question that this new decade is off to a roaring start. Only time will tell how it will play out. For now, smart companies are doing what they can to make the most of the strong market, while making sure they'll be well-positioned when the market slows.

Speaking of smart companies, we're excited to announce the winners of our LBM Dealer of the Year awards. Since innovation and top performance aren't limited to large companies, our awards have traditionally recognized dealers in three revenue categories (less than \$10 million, \$10 million to \$50 million, and \$50 million-plus). For 2020, in response to the growing number of companies whose sales top \$50 million, we've added a new category: \$100 million-plus. In this issue, we're proud to profile Kuiken Brothers (p.32), our Dealer of the Year in the \$100-million plus category. The other winners, and the issue they'll be profiled, include:

- Gillman Home Center:
annual sales of \$50-\$100 million (February issue)
- Lang Building Supply:
annual sales of \$10-\$50 million (March issue)
- R.T. Griffis & Sons:
annual sales of less than \$10 million (April issue)

We had a record number of entries this year, so a big congratulations to all of the LBM Journal Dealer of the Year winners.

Long-time readers will know Bob Heidenreich from his column on "Selling the Deck Project." As it happens, Bob was an early adopter in e-commerce. In fact, his online sales have grown to the point where they now exceed sales from his brick-and-mortar store. Since we're hearing from more and more readers who are interested in learning more about selling online, and since Bob has built his e-commerce business from the ground up, he's agreed to share his real-world insights and experiences in a new column, E-Commerce 101 (p.22).

Here's to working together throughout the Roaring Twenties, v.2, to build your sales, your business and your brand. ■



Rick@LBMJournal.com

UPDATES

PEOPLE

Superior Plastic Products and **Key-Link Fencing & Railing** have hired **Tim Smoyer** as national sales manager.

Superior Plastic Products and its affiliated companies have hired **Heather Bowman** as marketing manager.



SMOYER



BOWMAN

Mike Melchi has been promoted to regional sales manager at **Do it Best Corp.**

BMC has named **Michael Neese** SVP of Investor Relations.



MELCHI



NEESE

MFM Building Products has hired **Mike Scott**, of Summit Sales & Marketing in North Texas.



SCOTT

MoistureShield has named **Sean Ryan** and **John Cook** as regional sales directors for the company's West and Southeast markets, respectively.

INDUSTRY

Fiberon has announced it will increase production capabilities at its facility in Meridian, Idaho.

Trex is expanding its manufacturing capacity with the addition of a new decking plant adjacent to its existing production site in Virginia.

Epicor held its LBM Insights 2019 User Conference at the Gaylord Opryland in Nashville from Nov. 4-8. The event kicked off with Lisa Pope, EVP sales, Americas. Pope discussed company news and changes over the past year, including the fact that there are 25% more LBM dealers on the BisTrack platform than one year ago, with 10% new locations and 13% new users.

Northwest Hardwoods and **E.C. Barton & Company** have been named 2019 **Epicor** Customer Excellence Awards winners.

MaterialsXchange (MX), an electronic marketplace for buying and selling raw materials, went live with the first transaction executed shortly after the launch. The first listings on MX were OSB, European Spruce lumber, and Southern Yellow Pine lumber.

MoistureShield has announced the addition of the **Elite Sales and Marketing** independent representative group to increase its sales coverage and presence in the New England market.

The **Tando** brand's Cape Cod Perfection shake has received a Notice of Acceptance from Miami-Dade County.

National Nail's newly enhanced STINGER CN100B Cap Nailer has received the 2019 Pro Tool Innovation Award (PTIA) in the Pneumatic Tools & Nailers category.

AZEK is launching new products in its TimberTech AZEK, TimberTech PRO, and TimberTech EDGE decking lines as well as in its composite railing collections in 2020.

Andersen Windows recognized **Shepley Wood Products** with a Dealer Community Service Award for significant contributions to their community through volunteerism, philanthropy and innovation.

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

NAHB ANALYSIS PREDICTS RISE IN MODULAR, OFF-SITE CONSTRUCTION

The total market share of modular, non-site built single-family homes was 3% of single-family completions in 2018, according to Census Bureau Survey of Construction data and NAHB analysis. This share is expected to rise moderately in 2019 and in the years ahead, due to the ongoing labor shortage in the residential construction sector and the need to lift labor productivity amid declining housing affordability. The labor shortage also triggered growth in modular home construction in 2017, NAHB reported.

For 2018, there were 29,000 total single-family units built using modular (12,000) and panelized/pre-cut (17,000) construction methods, out of a total of 840,000 total single-family homes completed. While the market share is small, there exists potential for expansion. Moreover, this 3% market share for 2018 represents a decline from years prior to the Great Recession. In 1998, 7% of single-family completions were modular (4%) or panelized (3%). This marked the largest share for the 1992-2018 period.

One notable regional concentration is found in the Northeast where 7% (4,000 homes) of the region's 54,000 units completed were due to modular construction, the highest share in the country.

With respect to multifamily construction, approximately 1% of multifamily buildings (properties, not units) were built using modular and panelized methods. Similarly to single-family construction, this market share was expected to grow, but the expected gains did not materialize due to various constraints in the industry. In 2000 and 2011, 5% of multifamily buildings were constructed with modular (1%) or panelized construction methods (4%).

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UPDATES

MERGERS & ACQUISITIONS

Hardwoods Distribution has acquired **Pacific Mutual Door Company**. The businesses will continue to operate under their brands as part of **Rugby Architectural Building Products**, a division of **HDI**.

Professional Builders Supply in Raleigh, N.C. has acquired **H2H Commercial**.

MI Windows and Doors has completed its acquisition of **Milgard Windows & Doors**.

ASSOCIATIONS

MBSA:

The Midwest Building Suppliers Association was honored by the **Indiana Society of Association Executives** at its annual STAR Awards ceremony for the association's production of its employee recruitment video.

WBMA:

David Stordahl of Triple S Building Center, Inc. of Butte, Mont., was elected president of Western Building Material Association. Others newly elected to office in the Western Building Material Association include:

VICE PRESIDENT:

Rick Jensen, Bayview Building Materials, Elma, Wash.

VICE PRESIDENT:

Jeff Newenhof, City Lumber Company, Astoria, Ore.

EXECUTIVE COMMITTEE:

Dana Cowart, TAL Holdings, LLC, Hood River, Ore.

WBMA BOARD MEMBER:

Shawn Fernandez, Paint Sundries Solutions, Kirkland, Wash., and **Brent Lenssen**, Vander Griend Lumber Co., Lynden, Wash.

Special Awards and recognition were also presented, including the President's Award, to **Carl's Building Supply** of Chimacum, Wash., for outstanding and distinguished service to the building material industry.

WBMA held its third-annual **Women in LBM Conference**. Attendees representing retailer and supplier members from WBMA came together to share and gain knowledge from each other's experiences, and learn effective communication methods that help interactions with different generations and personalities.

HOUSING AFFORDABILITY HIGHEST IN THREE YEARS

With mortgage rates at a three-year low and a healthy job market, housing affordability rose to its highest level in three years in the third quarter of 2019, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI).

In all, 63.6% of new and existing homes sold between the beginning of July and end of September were affordable to families earning the U.S. median income of \$75,500. This is up from the 60.9% of homes sold in the second quarter of 2019 that were affordable to median-income earners and slightly higher than a first quarter 2019 reading of 62.6.

The national median home price remained steady at \$280,000 in the third quarter, flat from the previous quarter, but significantly higher than in the first quarter (\$260,000). At the same time, average mortgage rates fell from 4.07% in the second quarter to 3.73% in the third quarter, reaching a three-year low.

BUILDER CONFIDENCE IN 55+ HOUSING MARKET AT RECORD HIGH

Builder confidence in the single-family 55+ housing market rose one point in the third quarter of 2019, returning to its record-high reading of 72, according to the National Association of Home Builders' (NAHB) 55+ Housing Market Index (HMI). This is the highest reading since the inception of the index in 2008.

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

For the three index components of the 55+ single-family HMI, present sales rose two points to 78, expected sales for the next six months dropped one point to 77 and traffic of prospective buyers fell one point to 55.

The 55+ multifamily condo HMI decreased six points to 53. All three index components posted declines from the previous quarter: Present sales fell five points to 56, expected sales for the next six months dropped nine points to 56 and traffic of prospective buyers declined three points to 47.

Three of the four components of the 55+ multifamily rental market dropped in the third quarter: Present production dropped seven points to 57, future expected production fell nine points to 55 and present demand for existing units fell one point to 72. Future demand, however, rose one point to 74.

SOFTWOOD LUMBER, GYPSUM PRODUCTS PRICES INCREASE

Prices paid for goods used in residential construction declined 0.4% in November (not seasonally adjusted) according to the latest Producer Price Index (PPI) released by the Bureau of Labor Statistics. However, the price of softwood lumber and gypsum products have increased.

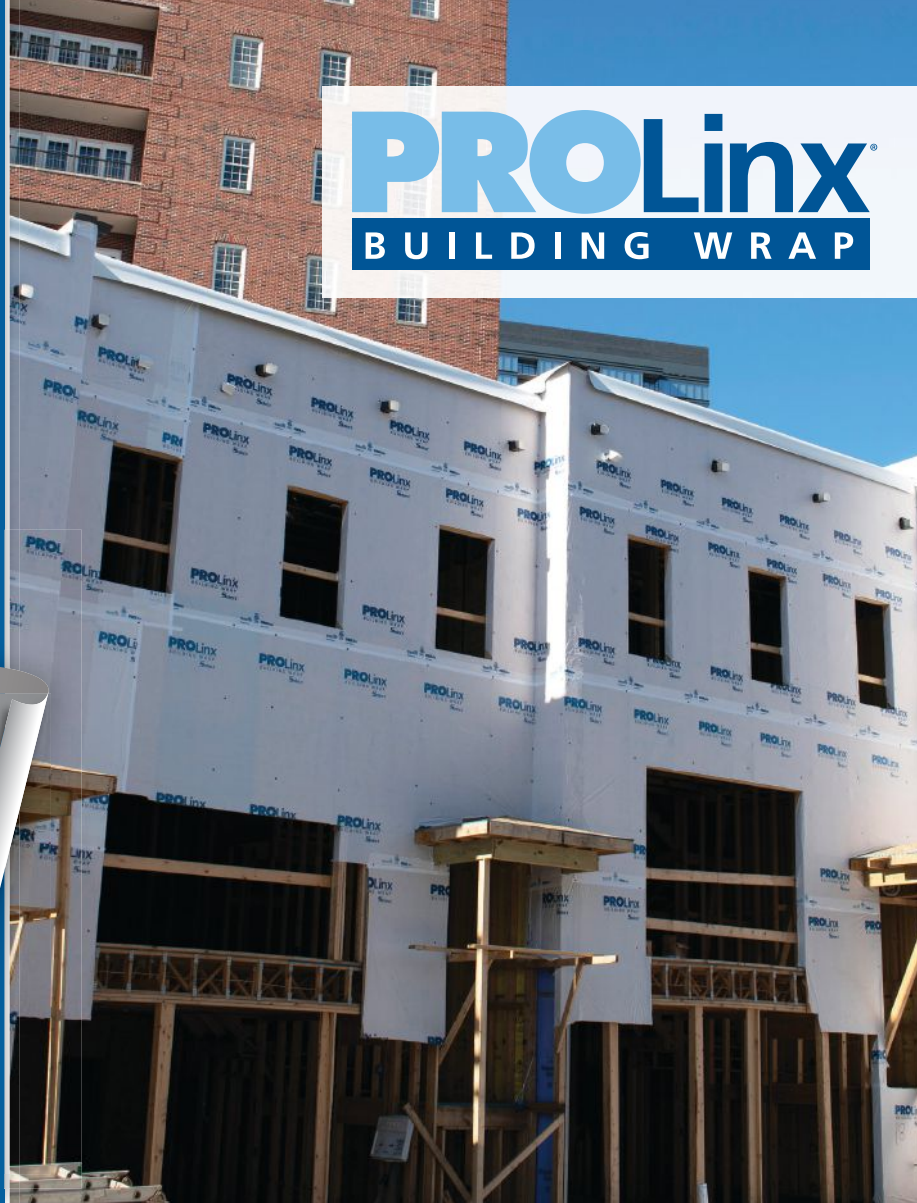
Building materials prices have declined an average of 0.1% per month over the last 12 months, and the price of goods used in residential construction has risen 1.3% in 2019. Not only is that price growth roughly one-third the pace of increases in 2018 (+3.8% YTD), it is the slowest year-to-date growth in four years.

The PPI report shows that softwood lumber prices increased 3.5% (seasonally adjusted) in November. The index for softwood lumber has risen 7.7% over the prior three months and now stands at its highest level since September 2018.

The price index for gypsum products increased 1.1% in November after advancing 1.4% in October (seasonally adjusted). Gypsum products prices declined by 9.6% over the first six months of 2019 but have increased 5.7% since. Even after accounting for the recent increase, however, prices remain slightly lower than they were at the start of 2018.

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UPDATES

ASSOCIATIONS

WCLBMA:

WCLBMA presented a Lifetime Achievement Awards to the founder of Sierra Pacific Industries, **Archie "Red" Emmerson**.

Betsy Bendix received an Associate of the Year Award.

The WCLBMA also confirmed and elected officers and directors for 2020:

PRESIDENT:

Mark Boone, Champion Lumber, Riverside Calif.

FIRST VICE PRESIDENT:

Frank Addiego, All Bay Mill & Lumber, American Canyon Calif.

SECOND VICE PRESIDENT:

Matt Endriss, Central Valley, St. Helena Calif.

TREASURER:

Sean Fogarty, Osborne Lumber, Newark Calif.

SECRETARY:

WCLBMA Executive Director **Ken Dunham**.

BOARD OF DIRECTORS:

Emily Brown Morgan, Ashby Lumber,

Berkeley Calif.; **Merritt Goodyear**,

Trinity Lumber, Weaverville Calif.;

Brian Bunt, Windsor One, Petaluma Calif.;

Marc Mizgorski, Hayward Lumber, Monterey Calif.

"SECOND GROWTH" GROUP PRESIDENT:

Ryan Lauterborn, Trex Company, Placentia Calif.

DISTRIBUTION

Capital Lumber has opened a new Sacramento facility, offering 7.5 paved acres, an 81,000 square-foot warehouse and 4,300 square feet of office space.

Rugby Architectural Building Products has opened a new distribution facility in Grand Prairie, Texas.

Cameron Ashley Building Products, Inc. has opened a new Tulsa, Okla. distribution center. The 16,000 square feet facility will provide sales and inventory support for contractors with a focus on insulation and drywall.

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TOUGH CALL ANSWERS

ANSWERS TO OUR OCTOBER TOUGH CALL SURVEY:

POLITICS IN THE WORKPLACE

YOUR TWO TOP SALESPeOPLE ARE PASSIONATE AND VOCAL ABOUT THEIR POLITICAL BELIEFS, WHICH IS COSTING YOU CUSTOMERS. HERE'S HOW READERS WOULD HANDLE THIS TOUGH CALL.

YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 6.8%** **LET 'EM GO.** If they can't control the urge to confront customers with opposing political views, then eventually they're going to alienate everyone. If they say no, let 'em go.
- 41.5%** **USE REASON.** Explain that your company can't afford to lose customers because of their personal beliefs. Ask what they'd do if they were in your shoes. Then they'll understand.
- 5.1%** **RELAX.** There's nothing wrong with robust political debate—wherever it occurs. For each customer you lose, you'll likely gain one. Let the chips fall where they may.
- 46.6%** **STAND FIRM.** Announce that your company is losing customers because some employees' vocal political beliefs. Establish a rule that prohibits any political discussions at work. Then enforce it.

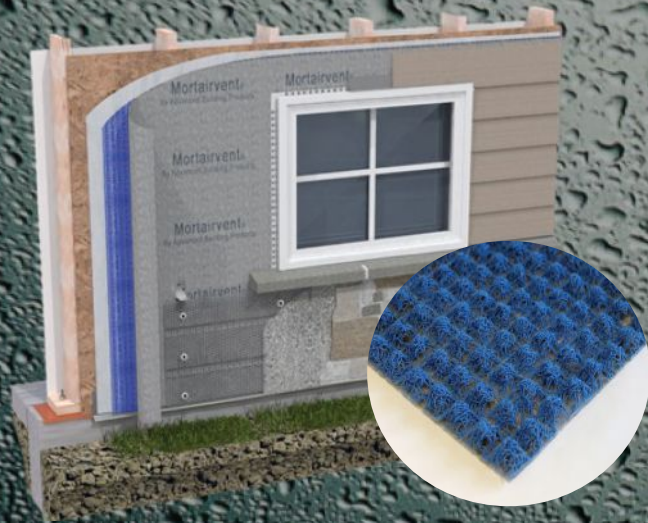


THANKS TO EVERYONE WHO VOTED ON THE OCTOBER SURVEY.
SEE PAGE 64 FOR THIS MONTH'S TOUGH CALL.

EVENTS

- JAN 10-24** Dealers Choice Winter Show-2020, digital event • thedealerschoice.com
- JAN 14-16** North Dakota Retail Lumbermen's Association Annual Convention Fargo, ND • ndrla.com
- JAN 21-23** NAHB International Builders Show, Las Vegas, NV • buildersshow.com
- JAN 22-23** Northwestern Building Products Expo-North, St. Cloud, MN • nlassn.org
- FEB 4** Wisconsin Leadership Conference, Wisconsin Dells, WI • nlassn.org
- FEB 5-6** BMSA's Annual Learning Exchange and LBM Expo, Hickory, NC
- FEB 7-10** Do it Best Spring Market
- FEB 24-26** LBM Advantage Annual Convention, Orlando, FL • lbmadvantage.com
- FEB 27-28** Northwestern Building Products Expo - South, Council Bluffs, IA nlassn.org
- MAR 4-6** LMC Annual Meeting, Nashville, TN
- SEP 11-14** Do it Best Fall Market
- SEP 16-18** FBMA Convention and Gulf Atlantic Building Products Expo, Orlando fbma.org

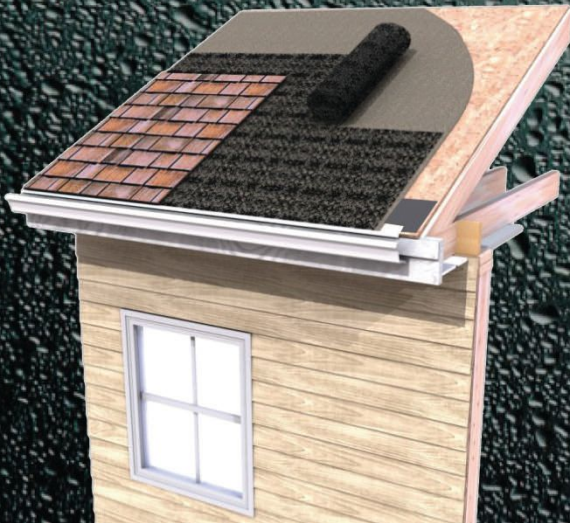
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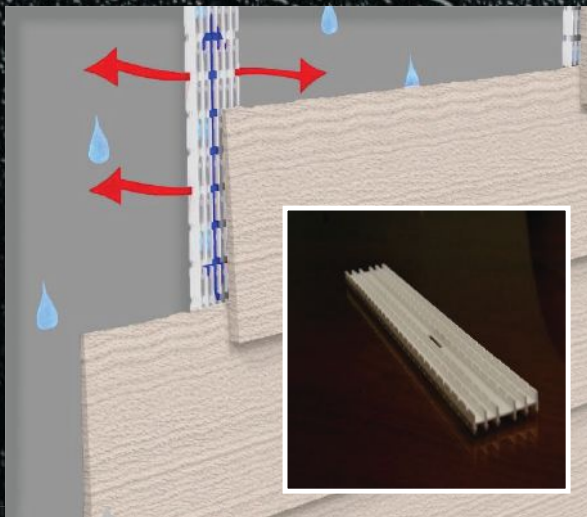
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UPDATES

CO-OPS & BUYING GROUPS

Do it Best Corp. and Big Brothers

Big Sisters of Northeast Indiana jointly announced a fundraising total of \$223,938 as part of The Big DONation, a youth enrichment initiative launched to honor Don Wolf, Do it Best president emeritus and founder of the local Big Brothers Big Sisters chapter.

LMC dealers gathered at the LMC Expo in Philadelphia on Nov. 20-21 to gain insight, analyze the state of industry, and plan their purchasing strategies for the upcoming year. The event allows LMC dealers to tap into the latest market intelligence from all those attending to ensure they are ready to adapt to the ever-changing market conditions in 2020.

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

SHARE OF NEW HOMES WITH DECKS DECLINED IN 2018

Of the roughly 876,000 single-family homes started in 2018, 22.6% included decks, according to NAHB tabulation of data from the Survey of Construction (SOC, conducted by the U.S. Census Bureau and partially funded by HUD). This is down over a full percentage point from the 23.8% recorded a year earlier.

From 2005 to 2008, the share of new homes with decks was consistently over 25%—as high as 27% in 2007 and 2008. In 2009, the share dropped to under 25% and continued to decline, reaching a low point of 22.2% in 2012. The 2018 figure of 22.6% is the lowest the share of new single-family homes with decks has been since 2013.

NAR PREDICTS 10 OUTPERFORMING HOUSING MARKETS

The National Association of Realtors identified 10 housing markets expected to outperform over the next three to five years. In alphabetical order, the markets are:

- Charleston, South Carolina
- Charlotte, North Carolina
- Colorado Springs, Colorado
- Columbus, Ohio
- Dallas-Fort Worth, Texas
- Fort Collins, Colorado
- Las Vegas, Nevada
- Ogden, Utah
- Raleigh-Durham-Chapel Hill, North Carolina
- Tampa-St. Petersburg, Florida

NAR identified the top 10 metro area housing markets based on a myriad of factors, including domestic migration, housing affordability for new residents, consistent job growth relative to the national average, population age structure, attractiveness for retirees and home price appreciation, among other variables.

“Potential buyers in these 10 markets will find conditions especially favorable to purchase a home going into the next decade,” said NAR President Vince Malta, broker at Malta & Co., Inc., in San Francisco. “The dream of owning a home appears even more attainable for those who move to or are currently living in these markets.”

Strong job growth is one factor driving up prices in these markets, with payroll employment rising about 2.5% annually in the last three years, higher than the national rate of 1.6%. In Ogden, Las Vegas, Dallas, and Raleigh, job growth rose nearly 3%.

Movers flock to these markets at higher rates than the average of the 100 largest U.S. metro areas. In Colorado Springs, recent movers accounted for 21% of the total population, followed by Fort Collins at 17% and Las Vegas at 16%. These areas attract various age groups. For example, 11% of the people who moved to Tampa were 65 years and older, while 54% of recent movers in Durham were between the ages of 18 and 34.

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CHIC LUMBER RECEIVES ECI'S EVERYDAY HERO AWARD

ECI Software Solutions, a provider of cloud-based business management solutions, has awarded Adam and Melinda Hendrix, of Chic Lumber, \$10,000 as the first-place winners of the 2019 Everyday Hero Award for their work to combat heroin addiction. The two created a nonprofit named Justin Delivers Hope (JDH)—named after their late son—to support families who are victims of the devastating drug addiction, and also raised more than \$35,000 for their local police department to employ and train a K9 dog and officer dedicated to removing drugs from their local community. The \$10,000 prize will be donated to JDH.

HAYWARD LUMBER ACQUIRES BUENA TOOL COMPANY

Hayward Lumber has acquired the Buena Tool Company, a tool and supplies retailer and business neighbor in Santa Barbara, Calif.

HIGGINBOTHAM BROTHERS ACQUIRES OKLAHOMA STORES

Higginbotham Brothers & Company (HBC) has entered into a definitive agreement to acquire White's Ace Building Center's in Shawnee and Seminole, Oklahoma. HBC operates around 40 hardware stores, lumberyards, and building centers spread all throughout the state of Texas. This will be the first time HBC has operated stores outside of the Lone Star State.

MCCOY'S EXPANDING MILLWORK FACILITY

McCoy Corporation, parent company of McCoy's Building Supply, will expand its door and millwork operations in New Braunfels, Texas, retrofit an existing 102,940 square-foot industrial space, and hire up to 38 more employees.

84 LUMBER SENDS HURRICANE RELIEF SUPPLIES TO BAHAMAS

More than \$50,000 worth of building supplies were shipped to the Bahamas, courtesy of 84 Lumber's West Palm Beach store, which is assisting in the ongoing relief effort to help in the recovery of storm-ravaged homes in the wake of September's Hurricane Dorian.

BMC STOCK HOLDINGS, INC. HAS ACQUIRED DEFORD LUMBER

Founded in 1964 in Duncanville, Texas, DeFord provides building materials primarily to custom and regional homebuilders. DeFord generated \$75 million in total net sales for the 12 months ended Sept. 30, 2019.

UNIVERSAL SUPPLY OPENS FOURTH MARYLAND LOCATION

The new location is Universal Supply's fourth to open in Maryland over the past 16 months and its 17th overall in the Mid-Atlantic.

MINNESOTA'S NORTHLAND LUMBER & SUPPLY EXPANDS

Northland Lumber & Supply is entering the next phase of expansion, building a 50'x75' storage building. The added storage space will provide more room to stage project materials, unload vendor deliveries, and store equipment and materials.

BUILDERS FIRSTSOURCE ACQUIRES RANEY CONSTRUCTION

Builders FirstSource has purchased the assets of Raney Components, LLC and Raney Construction, Inc., located in Groveland, Florida. Founded in 1997, Raney supplies wall panels, roof trusses, roof decking, interior wall framing and other select building materials and then partners with sub-contractors to install these products in approximately 3,000 homes per year to its production builder customers across Florida. Raney has annual revenue of approximately \$140 million.

ABC SUPPLY LAUNCHES NEW ONLINE SERVICE FOR CONTRACTORS

The new online platform gives ABC Supply customers 24/7 access to view the status of their orders and deliveries, including delivery photos.

ABC SUPPLY WINS 2020 EMPLOYEES' CHOICE AWARD FROM GLASSDOOR

Building products distributor ABC Supply Co. Inc. has received the Glassdoor Employees' Choice Award, making the list of the Best Places to Work in 2020. This year marks the second time that ABC Supply has been honored with the award.

BY THE YARD

NEWS FROM LUMBERYARDS
AROUND THE COUNTRY



BRADBURN

CHARLIE BRADBURN NAMED PRESIDENT AT LYMAN COMPANIES

Lyman Companies, a provider of building products, services and expertise in the Upper Midwest, has named Charlie Bradburn president. Bradburn joined Lyman Companies in 2009, most recently serving in the role of vice president.

HILL LUMBER EMPLOYEE HONORED

Javier Ibarra was recognized with a service award for 30 years of employment with Hill Lumber Company in Mont Belvieu, Texas.

MID-CAPE HOME CENTERS TAKES HOME FIVE AWARDS AT PRISM AWARD GALA 2019

Mid-Cape Home Centers took home five Gold PRISM Awards at the Builders & Remodelers Association of Greater Boston (BRAGB) 2019 PRISM Award Gala on the evening of Thursday, Oct. 24 at the Boston Marriott Long Wharf Hotel.

- Community Spirit Award for the First Responder Appreciation Day
- Community Spirit Award for the Trucks-for-a-Cause
- Best Social Media Campaign for the Mid-Cape Home Centers Instagram Page
- Best Living Area: Private Residence – Kitchen for the American Dream Test Kitchen
- Best Marketing Event or Series of the Year for the First Responder Appreciation Day

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.

AWARD-WINNING DECKS

EACH YEAR, one of the most anticipated events among deck builders, dealers and manufacturers is the North American Deck and Railing Association's (NADRA) recognition of outstanding deck, porch and outdoor projects. This year's NADRA deck awards ceremony, dinner and entertainment was held on November 7 at Copper & Kings Distillery in Louisville, Ky. Deck builders and manufacturers from throughout the U.S.

and Canada submitted photos and descriptions of what they hoped would be named award-winning projects by a panel of industry experts. Projects were judged based on use of space, functionality, creativity, use of materials and overall visual appeal. Of the many notable projects, pictured here are an assortment of first-place winners. To learn more about NADRA, visit www.nadra.org.



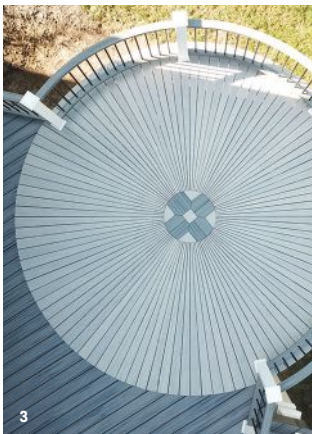
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Sparta, NJ

CATEGORY

Illumination



FIRST PLACE

1. All Decked Out | Cincinnati, Ohio

CATEGORY

Refinished/Restored Deck

2. Decks Unlimited | Dayton, IN

CATEGORY

Limitless Creation: Up to \$25k

3. Hodgkiss Construction | Pittsburgh, PA

CATEGORIES

Limitless Creation: \$25k – \$50k

Alternative Deck : \$25k – \$50k

4. Midcoast Marine Group, LLC | Largo, FL

CATEGORY

Dock

5. Blue Chip Decks | Winnipeg, MB, Canada

CATEGORY

Wood Deck: Up to \$25k

6. Dr. Decks LLC | Tacoma, WA

CATEGORIES

Alternative Deck: \$50k – \$100k

TIE: Limitless Creation: \$50k – \$100k

7. TimberTech

CATEGORY

Manufacturer Project



Among bankers, two friends are better than just one

BY BILL LEE

IT IS EXTREMELY difficult to successfully grow your business in the absence of good banking relationships. Therefore, a good understanding of why you need banking partners, and the rules for dealing with bankers, are essential ingredients to the successful management of a building supply business.

I know I learned more about dealing with bankers during the double-digit inflation period when I first entered the business world than I had ever known in the past. While times are good right now, the pendulum has a tendency to swing, so those of you out there who did not learn your lesson back then should certainly be ready the next time around. This is how the trouble begins—with growth.

Look at your own business this year and assume you're generating \$14 million in sales. Then project a 20% increase in sales in 2020 and you're looking at a \$2,800,000 increase in sales to \$16,800,000. With just a few keystrokes on your trusty calculator you'll pretty quickly realize that unless you make some major changes in the way you're managing your inventory and accounts receivable, you are going to need additional capital in 2020 to fund the additional assets.

Most owners and managers grew up in this industry when the local banker was a lot like the owner of the local building supply business. They had always been there, and their presence will remain practically forever. But for most of us, those days are over.

The mergers and acquisitions in the banking business have taken their toll on the "old friends" we thought would be around forever. So today it's wise to have a minimum of two friends when your old friend dies, transfers, retires, or gets fired.

Like in any large business, personnel frequently come and go, so it's wise to make it your business to become personally acquainted with a money lender who will be around deep into the next recession and beyond. This is part of your job. Although this is changing somewhat, there are not very many bankers out there who possess the outgoing personality necessary to make every customer feel as if he/she is their best friend.

Even when you are not looking for capital to fund your business' growth, you still need to work at maintaining strong relationships with local bankers. While a personal relationship with area bankers is important, it is the strength of your business that is most interesting to bankers. So, when your CPA prepares your balance sheet and income statement for the most recent quarter, don't neglect to ask for several additional copies to give you something to take by for the banker to review.

Nothing impresses a banker more than a well-thought-out business plan. A plan for the next three years is preferable, but even a one-year plan will be welcomed. If you have a computerized budget you can show your bankers how you see the coming year playing out.

Your business plan should also indicate how much borrowed capital you will require and in which months. I strongly suggest that you ask your banker(s) for a loan commitment that you may need to call upon during the year. But do not ask for a commitment if you do not at least plan to use a portion of the funds.

To maintain credibility with the banker, keep him/her informed as to what is going on in your business. Bankers don't like surprises. If you cannot meet your obligation to your banker, tell him/her as far in advance as possible. ■



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

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Lessons in history

BY RICK DAVIS

HISTORY, IT HAS BEEN SAID, repeats itself. I'm not so sure history repeats itself as much as people repeat the same mistakes. Therefore, as we enter 2020, it feels like a good time for a history lesson in sales to avoid the mistakes of the past.

In 2004, the second article of my writing career advocated for the power of prospecting for new sales. At the time, I'm not sure anyone was listening. The market was on fire and housing starts would approach 2 million in the following year. Selling was easy in an overheated economy.

I remember standing at a job site when a builder furiously reacted to the threefold increase in pricing on sheets of OSB before saying, "That's ridiculous! How can the price rise so quickly without warning, and how quickly can I get the material?" In other words, selling was easy. Contractors, builders and remodelers were anxious for any attention they could get. Orders flowed and the need to prospect was minimal.

It was a good time to be a salesperson in the LBM space and not hard to find industry professionals taking credit for their amazing success...until the bubble burst. A mortgage banking crisis brought down the housing and banking industry with effects that rippled across the entire globe in a way not seen since the Great Depression of the 1930s. Year after year, industry professionals asserted the worst was over while it continued to get worse.

The industry data at the time scared us all. Housing starts declined in excess of 70% while the cost of lumber dropped more than 50%. In Atlanta alone, building permits dropped 90%, from 66,000 to 6,000, in just a few years. The weekly reports of LBM branches and organizations closing throughout the country were staggering.

As this happened, the same people who took credit for their astounding success just years earlier were not as anxious to accept responsibility for the losses. Truth be told, it wasn't their fault. Nevertheless, there is a lesson to be learned.

Financial news bureaus are warning today about the potential downturn in our current economy. Others predict a robust future. Nobody really knows, and I am not here to offer any prognosis. My job is to remind you to prepare for the worst and hope for the best. This means you need to make prospecting and networking your 2020 resolution whether the overall economy sinks or rises. All ships rise and sink with the tide, but successful business organizations rise above the tide.

That common metaphor about the tide is a nice slogan, but neglects to illustrate the truth about your sinking "internal tide." That's right. If you haven't taken the time to measure your annual rate of business loss, i.e. attrition, you should. My studies have shown that most LBM dealers can expect a rate of attrition between 10% and 20% in a flat economy. In other words, you need to replace lost business just to keep sales flat.

Salespeople might read this article and say that customer demands and workloads prevent time for prospecting. I would argue that prospecting is not what a salesperson does with leftover time during the week, but is the first thing a salesperson should think about every day. Networking is not a block of time; it's a mindset. It's not about finding three hours per week to make cold calls; it's about constantly looking for one new lead during the course of business every day. It's the only way to offset the certain attrition of sales and a potential economic downturn.

It is possible, of course, that the housing market will continue its growth path and that organic growth in your market will buoy sales. No matter what, the best thing a salesperson can do is proactively find time to constantly network and prospect for new sales opportunities. If a salesperson persistently strives for sales growth and the market rises, the salesperson will rise above the tide. If not, then the salesperson will be prepared. Either way, the best way to prepare for the future is to avoid the mistakes of the past. Prospecting and networking are the core skills of sale leaders. ■



Rick Davis is the President of Building Leaders. His latest book, *Sales Economics: The Science of Selling*, is now available at buildingleaders.com. For more information on hiring Rick to deliver a keynote or provide sales training for your organization, call 773.769.4409.

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Is online retail right for you?

BY BOB HEIDENREICH

WHILE I HAVE BEEN writing a column for *LBM Journal* on decking for the past several years, this month's column begins a new focus. As many of you may already know, I run a single-location lumberyard in Apple Valley, Minnesota where I focus on decking products. Though deck-building is what brought me into the LBM retail business, I've also built a strong online presence at thedeckstore.com. In fact, in recent years, my online sales have outpaced those at my retail store.

So, this month begins a new focus and a new title for my column. It's now called "E-Commerce 101" and each month will focus on topics which I hope will help *LBM Journal* readers learn more about what it takes to run an e-commerce business. Now, let's get started.

The first thing anyone who is considering getting into e-commerce should ask themselves is if it's the right move for their business. If you're challenged setting up an email account or doing online shopping yourself, then maybe you're better off finding someone to help you with an online operation. No one person can do it all by themselves, but the stronger you are with online interactions already, the better it will be for you. Keep in mind that any help that you bring on should be complementary to your own skills. It's important that every brick and mortar retailer have an online presence. Whether or not you sell online, it helps bring customers to your store.

Today's consumers go online for everything. I'm sure that you've already experienced situations in which a shopper has "show roomed" your store and learned what they could about a product, then went and bought it for less online. Let's face it, that's the way of the world these days and there's no reason why you can't also be one of those online retailers that takes advantage of customers searching the internet.

The number one thing you need to do when you start selling online is to establish a plan. Just like you have a plan for running your lumberyard, you'll need a plan for your online

operations. What will you sell, who will you sell to, who is going to do what around the office, etc. A plan will help acquire customers, manage online traffic, control inventory, and ship product.

There are many services out there that will tell you that it is free to start an online store. While there may be some free software available to help you, there is no such thing as a free start up. Anyone starting now will want to make sure they have \$5,000 to \$20,000 set aside to launch their online operations.

You'll need to find a host, a website management system, personnel, etc. In later columns, we'll get into more detail as to whether you should use a hosted service or an open source software for your online store, and other details needed to properly set up an online store.

Be prepared to learn a lot of new terminology, as you learn about SERP (search engine results page), SEO (search engine optimization), paid versus organic ranking, content marketing, and so on. A lot of these terms are relatable to brick and mortar retail, but when you're just starting out selling online, it might feel like you're trying to learn a new language.

If you're not familiar with the terms, find someone at your company, or hire someone from outside, who understands them. Beware of online offers that claim to get you page one on Google results. You'll want to hire someone to help you and teach you about organic ranking.

I suggest you start small with online retail; sell a few smaller products with good margins, (hardware items, post caps, lock sets, lighting, etc.). Use those items to learn how to upload assets such as images and product descriptions to your website. Once you have that figured out, add more items each day.

Is it right for you to start selling online? Only you can determine that, but it can be a good way to capture more business. Think about it like this: There's probably a product line that you didn't think would sell in your market, and when you took a chance on it, you were pleasantly surprised. ■



Bob Heidenreich, owner of The Deck Store, in Apple Valley, Minn., has been selling decking and home improvement projects for more than 30 years. Follow Bob on Twitter: @TheDeckStore.



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The challenges to hiring leaders in 2020 (and how to solve them)

BY RIKKA BRANDON

HIRING IS DIFFICULT. Hiring proven leaders is even more so. Throw in the current labor shortages, and the challenge of finding great employees may sometimes seem insurmountable. We've found that there are three main challenges in, and solutions to, finding and hiring best-in-class building products executives and team members:

Problem: Lack of proven talent. You want to find a building products leader who can take your business, see the strategy and vision, and put the steps in place to achieve your goals. But there simply aren't a lot of proven building product executives out there. In fact, they make up less than 1% of 1% of the executives on LinkedIn. This inability to find leaders who understand the industry is costing you in missed opportunities and lost profit.

Solution: You need a system that can quickly identify and engage the building products executives who have the experience you want, so you can feel confident you've seen the best the market has to offer. Focus your efforts on the High Potential (HiPo) executive candidates who can hit the ground running and add profit to the bottom line quickly. We call this the "HiPo Hit List." Put on your marketing, sales, and networking hat and reach out, engage, and recruit. Develop and maintain relationships with leaders you respect and who can deliver the results you need. Or find a recruiting partner to work with so you can focus on interviewing and hiring versus recruiting tasks.

Problem: Affordability. You want to hire best-in-class executives, but you're not sure you can afford the talent you want. You also know your business is poised for growth and you need to hire strong leaders, so you wonder, "Can I afford NOT to hire the best possible executive?" How do you come up with a compensation plan that attracts leaders in the short term and keeps them long term? How do you compete with the big guys, without breaking the bank?

Solution: Simply put, best-in-class executives aren't cheap, but few things in your business can deliver the 10x ROI in the first year that a great executive hire will. You need to create a custom compensation package that includes base, short-term, and long-term incentives, along with the work/life balance issues that really matter to your ideal hire. Be open-minded and try to determine from your candidates what they expect to be making; this will help ensure your offer is compelling. And understand that pay-for-performance and even phantom equity is very appealing to executives.

Problem: Confidence. You don't hire executives very often, and you don't have confidence in your ability to find and hire the talent you need. It can feel overwhelming—from not being sure if you're being realistic to not trusting your recruiting process, you're constantly wondering if this is going to end well. But this lack of confidence is costing you time, energy, and money.

Solution: You need a proven process that ensures your opportunity is getting in front of the right people, that the interested candidates are thoroughly vetted, that your offer is going to be accepted, and that the hire will stick around for the long haul. Take time to sit down and map out a clear plan of action. You can use your in-house team (your marketing team, if you don't have a recruiter) to help you develop a plan that ensures you get the right message to the right people.

Hiring, particularly proven executives, can feel overwhelming. But having a plan of action is the first step—getting clear about what you need (so you can define the role and responsibilities), incorporating realistic compensation expectations for the caliber of talent you want, and developing a game plan will help you feel more in control and build the confidence to make strong hires. Or, find an experienced partner you trust to help you move through the process. ■



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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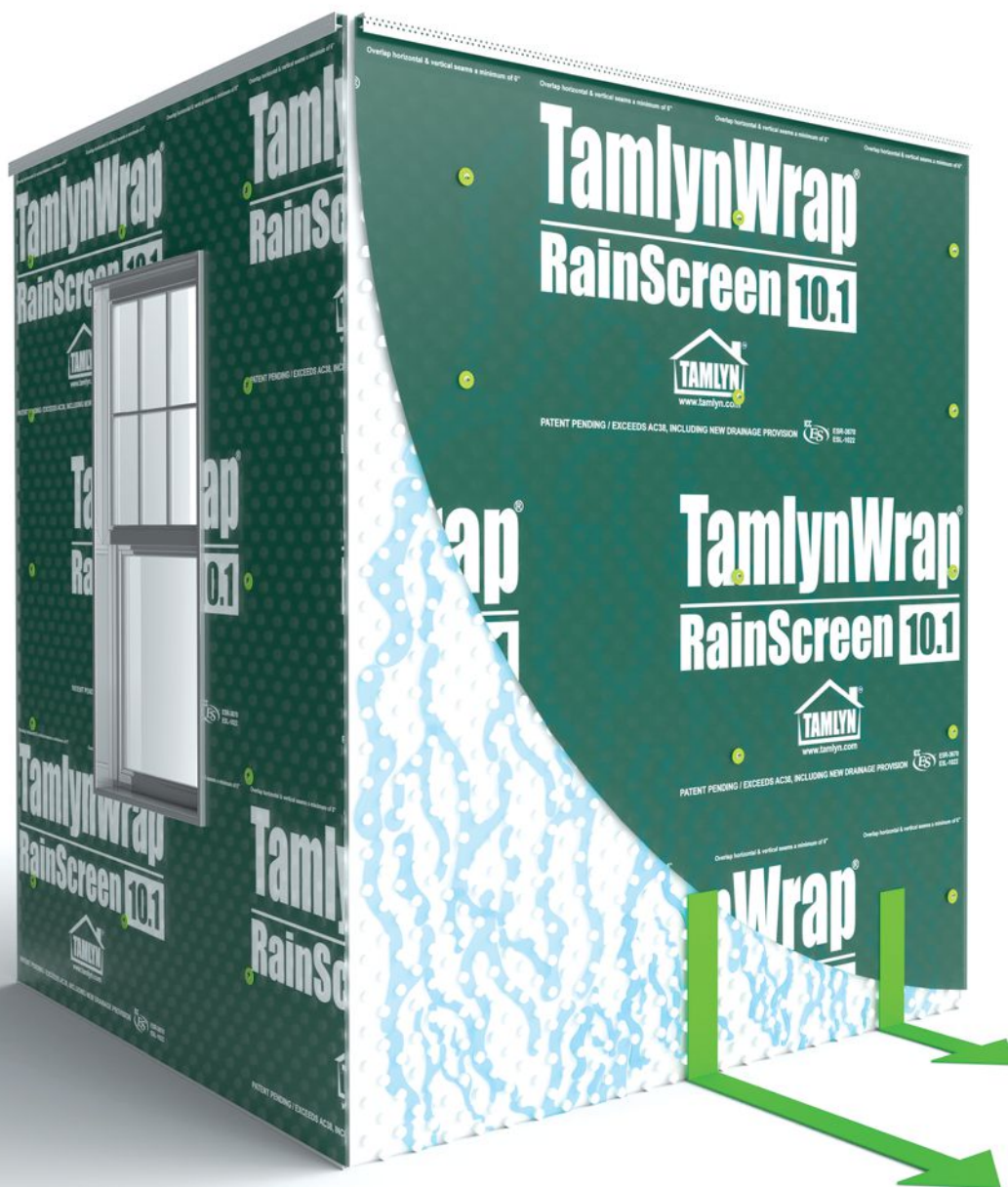
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Speaking their language

BY RUSS KATHREIN

ONE OF THE MOST IMPORTANT aspects of selling something is to speak the language of your customers. However, we frequently find companies and institutions that aren't willing to do so or don't even bother to learn their customers' language. An example is General Motors not understanding why the Chevy Nova wasn't selling in Latin America. Then GM found out that "no va" in Spanish meant "no go."

A friend of mine once wrote a book to help a specific group of people do their job. It was a wonderful book that explored in depth the academic areas of what he was teaching and quoted numerous other books and studies. It appealed to wonky people like me who wanted to understand the technical aspect of what he was teaching, but it failed to speak to the people it was intended to teach; it was too academic. I jokingly told the author that he needed to create a comic book version of the book. As I thought about it more, though, I realized that this is what he should have done right out of the gate. There is a reason the "[Pick-the-Subject] for Dummies" book series has done so well. It speaks the same language as its intended audience.

We need to think about speaking a common language when it comes to hiring the next generation of workers for our industry. Each generation is different from the one that preceded it. Think back to the hippies of the Baby Boom generation and how the work environment changed as they became part of the mainstream workforce. The same holds true now. The next generation is already the majority of the workforce. They are motivated by flexible work hours and work-life balance, but are willing to work hard at what they do. Yet, the older generation often doing the hiring views these values as nonsense and as an excuse to get out of working hard. We are applying our values to their needs and speaking a much different language than they are.

A specific example of this occurred to a salesperson of ours who had been selling to a builder for many years. The builder decided to retire from the business and handed the com-

pany over to his son. Our salesperson continued to service the account, but he started expressing a growing frustration that the son never answered his phone or called him back after he left messages. The son would reply via text, but then when my salesperson immediately tried to call him, he would not answer the phone, only eventually texting back his reply. Our salesperson took it as a sign of disrespect and believed the son was a poor communicator.

When we reached out to the customer, his enthusiasm toward the salesperson was lukewarm, even though he had grown up watching his dad buy products from our guy. He felt that he "wasn't clicking" with our salesperson who maybe still viewed him as a kid running around the jobsite. We pointed out to the salesperson that he was judging the customer based on the way that he, the salesperson, preferred to communicate, rather than acknowledging that the son, who was now in charge of the construction company that was our customer, strongly preferred to communicate via text. It had never occurred to this salesperson that he was using a language that the customer did not want to use.

Instead, our salesperson judged the customer negatively and criticized his actions. Only after our salesperson started seeing this customer through a different lens and began communicating with him in a manner the customer understood did both parties' attitudes about each other start improving.

It was only after our parents stopped looking at our generation's long hair and blue jeans—and really began listening to us—that we started successfully working together. Sometimes holding on tight to the language we speak and not being willing to change can make the people we are speaking to seem anywhere from disinterested in what we have to say to outright stupid. But if we listen to the language they speak and communicate with them the way they want to talk, not only do they listen, but great things can happen quickly.

Ultimately, I suggest you listen to your customers and learn to speak their language. ■



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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Losing control during an earnout period

BY JOHN D. WAGNER

WHEN THERE IS A disagreement between an acquirer and a seller about the value of a company, yet determination to get the deal done, an earnout is often put in place. The earnout essentially defers some of the purchase price to a future time (typically one year), and it is paid after the company achieves certain performance goals. Let's say that 20% of the purchase price is deferred for 12 months. The buyer and the seller then set the performance targets that must be hit before the payout is triggered. The goals can be tied to overall sales, retention of customers, as well as other factors, but they are much more likely to be tied to EBITDA. That is the true indication of the profitability of the company, the very origin of the phrase *the bottom line*. Earnouts are typically put in place for a period of time when the seller(s) remain in a place in a management role under new ownership, when they are highly motivated to achieve the earnout performance goals, because a big check awaits.

At the time the deal closes, there is often a great deal of optimism about the future prospects of the company. The new owners may be bringing expertise, new management, resources, buying power, and alliances to bear to help the acquired company along. But here's a common point of friction in earned-out deals: The sellers, no longer with the powers of outright ownership, may see that the very resources required to achieve the earnout are restricted by the new owners.

For instance, the new owners may restrict the marketing budget, cut down on sales staff, reduce the percentage of revenue dedicated to trade shows and events, or start charging additional expenses against the seller's budget. When that happens, it is not uncommon for the sellers to look at the budget and ask each other, "How are we supposed to achieve the target EBITDA when we are down two sales reps, skipping two home shows, and our ad budget is cut 30%?" What's more, it's only human nature that the sellers might suspect that

the constriction of resources might not just be a run-of-the-mill budgeting issue, but a deliberate attempt to deny them what's required to trigger the earnout.

The sellers may go to the new owner and appeal, saying that the marketing budget used to be 6% of gross revenues, and now it's only 4% of gross revenues. The new owners might point out that all their other operations run just fine on 4% of gross revenue models, and that is just standard policy, with no ulterior motive whatsoever. "But what about the fact that you let two sales reps go?" the sellers may ask. The buyers respond: "Their sales territories overlapped with two of our top guys, and we didn't want the overlap." The sellers are left stymied and frustrated, as they see the chances dwindle for that last big check.

There are two tactics for avoiding this problem. One is to negotiate *before* the close, as a covenant of the purchase agreement, that the earnout is not "all or none," which is what the buyers will push for. In other words, the buyer will say, "If you hit that \$2 million EBITDA, you get the earnout, but anything under \$2 million means no earn out will be paid." The sellers should counter that if 90% of the \$2 million is obtained, 90% of the earnout shall be paid; 80% achieved, 80% paid, etc. (There can be lots of creativity and "horse trading" around these payment structures, e.g. 90% of the \$2 million achieved, 75% of the earnout paid; 80% of \$2 million achieved, 50% of the earnout paid, etc.).

The second tactic is to set the coming year's marketing budgets and staffing levels *before* the deal closes, so you know you'll have the resources required to achieve the earnout goals. The marketing budget may not be set as a dollar amount, but as a percentage of revenues; the events listed out that you know you will attend; the sales rep's territories spelled out. By knowing in advance what resources you have to work with, you can focus on performance, and not on the fact that you were deprived of resources to achieve your earnout targets. ■



John D. Wagner is managing director of 1stWest Mergers & Acquisitions, which offers a specialty practice in the LBM and distribution sectors. Learn more at 1stwestma.com. Contact John at j.wagner@1stwestma.com.

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A case of old-fashioned identity theft

BY THEA DUDLEY

Dear Thea,
We have been the victim of identity theft. Our checks are being intercepted prior to reaching us. Our customers who have been affected by this are upset with us. They claim they mailed the check, so it is our problem. We have explained to them that we didn't receive it so there is nothing we can do, and our bank can't assist since we never actually had possession of the check. Some customers are refusing to pay us or contact their bank to recover the money, even though I have explained it, and their account still isn't paid. We are working with the police and the postal inspector, but it is a slow process. It seems the laws and advantage are on the side of the criminal. The crooks have even gone so far as to open banking accounts in our name in different states, then run our intercepted checks through those accounts. Meanwhile, our company is negatively impacted, both financially and reputation-wise. How can I assure our customers that we are not the problem? How can I get us paid and protect us moving forward?

— Signed, Hogtied in Hanover

Dear Hogtied,
In a world of increased cybercrime and dark web intrigue, your's is an old school, throwback case of identity theft.

My criminal mind and natural assumption would be that someone inside the postal operation has a hand in the light finger lifting of your checks since your customers have confirmed they mailed them and the checks did not make it to your mailbox.

Let's break this down a little further starting with your customers who are refusing to pay you and basically washing their hands of the situation. Sometimes you have to be cruel to be kind. You may start by reminding your customers that you have a valued partnership, and partners help each other. The cold hard fact is that their account has not been paid and you cannot continue to ship without either getting paid or getting their cooperation. Yes, this does pose a dilemma. Either continue to ship your unsympathetic and uncooperative customer,

possibly eating the loss, or put your foot down and refuse to ship unless a bit of compassion and cooperation is forthcoming.

First thing first—why, dear Hogtied, are you still having checks sent to your address? Get yourself a lockbox. On-line payment portals are another solution that removes the post office from the equation.

Since this was a little outside of my knowledge base, it gave me a chance to reach out to a few industry buddies and hit them up for free advice with no recognition, or even a free lunch. Luckily, they are not fame seekers and were intrigued by your story and wanted to help.

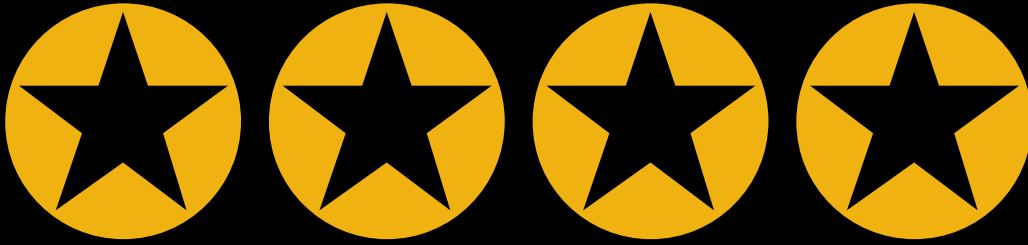
From the banking perspective: You cannot file a claim with your bank or even your insurance since the check was never in your possession. Your customer has to file a claim with their bank to be investigated. The customer's bank may require a police report to be included in your customer's submittal plus any additional information you have. Once the investigation is complete and they have determined it is legit, they will refund their customer's money and then your customer can pay you. As the process was explained to me by a fabulous banking guru (thank you, Amy), it is an incredibly tedious process. But that is what you are dealing with.

The attorney's advice was much more direct: consider suing the post office. Yep, you read that correctly. File suit against the United States Postal Service. He then added that this would not be easy, possibly a long shot, definitely expensive, and would most likely drag out for what would be longer than your tenure as a credit manager.

The best advice on how to deal with your customers, bank account, and reputation is a multi-pronged approach: offer payment options that take the post office out of the picture; work with your bank on the situation, keep them informed and leverage your relationship for help; work with your customers, walk them through the process; and, most importantly, vigilantly stay on top of each and every missed payment. Another reason to call your customers early and often. Identify any issue as soon as possible and start dealing with it. ■



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.



CONGRATULATIONS TO FOUR STAR PERFORMERS

There's no question that the entrepreneurial spirit is alive in the lumber/building material industry. A hearty congratulations to LBM JOURNAL'S 2020 DEALER OF THE YEAR award winners.

KUIKEN BROTHERS

FAIR LAWN, NJ

ANNUAL SALES: \$100 MILLION +

GILLMAN HOME CENTER

BATESVILLE, IN

ANNUAL SALES: \$50-\$100 MILLION

LANG BUILDING SUPPLY

BRUNSWICK, GA

ANNUAL SALES: \$10-\$50 MILLION

R.T. GRIFFIS & SONS

MONTROSE, PA

ANNUAL SALES: UNDER \$10 MILLION

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LBM JOURNAL DEALER OF THE YEAR 2020

ANNUAL SALES: \$100 MILLION +

LBM Journal's Dealer of the Year Awards recognize four LBM companies of different sizes that epitomize the entrepreneurial spirit. By our definition, a Dealer of the Year describes a company in which leadership excels at identifying underserved—or emerging—markets, satisfying customers, and constantly working to grow and improve business. Our 2020 winners—Kuiken Brothers, Gillman Home Center, Lang Building Supply, and R.T. Griffis & Sons—represent vastly different operations. The common thread in these companies is their fierce commitment to finding ever better ways to serve their customers and their communities.

PEOPLE-FOCUSED PROFITS

BY JAMES ANDERSON

WHILE EACH OF THE 2020 DEALER OF THE YEAR honorees can be considered in a class by themselves, Kuiken Brothers has achieved that ranking quite literally. It is because of the company's Dealer of the Year nomination that an entirely new category was created for the annual recognition program.

Kuiken Brothers is the first LBM Journal Dealer of the Year in the category of more than \$100 million in sales. In previous years, the program topped out at a \$50 million+ category.

Based in Fair Lawn, New Jersey, Kuiken Brothers is made up of a total of nine locations in New Jersey and New York. The newest location, in Newark, opened in September 2019. Founded in 1912, the company operated a single location in Fair Lawn until 1991 when it grew via acquisition. Through the years the company grew steadily by serving residential builders until 2003 when an acquisition in Garfield, N.J. specialized in commercial building materials. ➤

FROM LEFT: Nick Kuiken, VP of sales;
Henry Kuiken, executive VP;
Doug Kuiken, president;
Matt Kuiken, VP of operations;
Ken Kuiken, VP commercial business;
Michael Kuiken, VP.

PHOTO BY NICK BENEDETTO NBPRO.MEDIA



“When we acquired the Garfield location in 2003, we jumped in with both feet on what was a pure commercial supply: drywall, acoustical ceilings, steel studs, and so on,” said the company’s President, Doug Kuiken. “With that whole transition, we have blended our business to include both residential and commercial materials. We’re really a building materials business. No longer just Kuiken Brothers lumber company.”

NEWARK EXPANSION

The company’s latest expansion in Newark has brought Kuiken Brothers closer to one of its larger markets.

“Newark is situated in an urban setting. While that may be different than most of our existing locations, it’s a market that we have been shipping direct to for many years,” said

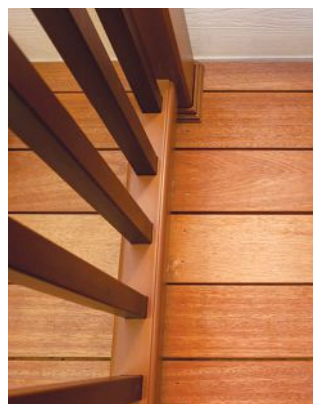
Doug Kuiken. “There’s a lot of activity in Newark and the surrounding cities of Jersey City, Bayonne, and Hoboken. The site will allow for faster delivery into the whole New York metropolitan area.”

The new site in Newark is strategically located in the heart of the distribution hub of New York and New Jersey. The site has access to all the major roadways, an active rail spur, and commercial access to the waterfront for future development opportunities.

“This is an expensive place to live, work, and do business, but there is also tremendous opportunity here for those invested in the market as we are. The City of Newark is an exciting and attractive place to be, and we’re well positioned to take advantage of long-term growth here as a resident member of the Newark business community.”



With nine locations in New Jersey and New York, Kuiken Brothers serves a customer base of 95% residential and commercial pro contractors, while specialists guide homeowners through windows and doors, decking, and moulding options in the stores’ showrooms.



Matt Kuiken, VP of operations, stands at the latest Kuiken Brothers location in Newark. The new site has access to major roadways, an active rail spur, and commercial access to the waterfront for future development opportunities.



With building material specialists across nine locations, Kuiken Brothers was able to in-fill the Newark location with seasoned staff members as well as hire new employees from the local community.

Throughout its locations, Kuiken Brothers remains fiercely dedicated to serving professional contractors. In fact, 95% of its customers are pro builders and remodelers working on projects ranging from residential homes to multi-family, mixed use, and mid-rise buildings.

With a heavy focus on pro contractors, even the showrooms at Kuiken Brothers locations cater to the needs of the builder. While the showrooms display products for homeowners to make informed selections, specialists guide their customers through the process.

"They appreciate having a place to send their clients and customers," said Doug Kuiken. "We provide the expertise in windows, doors, decking, moulding, structural components, interiors, and everything in between. We help facilitate sales for our contractor customers—taking some of that responsibility off their plate. We're a solutions partner for our customers, and we're happy to provide that high level of service."

SOCIAL MEDIA LEADERS

An early decision to focus on social media has brought Kuiken Brothers to the forefront of the building industry community online. Chances are if you're following building industry insiders and influencers on social media, you've run across a Kuiken Brothers post on Instagram.

"Strategically, connecting with people is different than it had been. We're doing it very aggressively and successfully, and it's an initiative of Ryan Mulkeen, director of marketing," said Matt Kuiken, VP of operations, son of President Doug Kuiken.

According to Mulkeen, the company's focus on social media began as a cost-effective way to reach deeper into a saturated advertising market.

"There is a lot of competition in advertising in the New York market. We're competing not only with industry competition, but so many other brands that want to reach the

same audience. That increases our cost, which means we need to be more creative in how we communicate with our existing and prospective customers."

So instead of relying on radio, newspaper, or direct mail advertising, the company has narrowed its focus on communicating digitally, with a focus on email, website, and social media. Staff members are encouraged to share photos and videos to keep online content current and fresh.

"There is a specific type of customer that we are looking to target. The use of social media within our industry, specifically on Instagram, allows us to speak directly to that audience. Other outlets, such as YouTube, allow us to quickly and effectively communicate a message about a new product or service that we provide," Mulkeen said.

For example, the company filmed an overview of its Newark facility which included aerial drone footage. This allowed them to instantly share the news with employees, customers and manufacturer partners around the country.

"You really need to make sure that you have a good story to tell," Mulkeen added. "You can't make that up in social media. Your audience will see right through it. We have a phenomenal team here. The services and expertise are unmatched. Re-telling those stories on a daily basis makes my job a lot easier, and a lot of people are willing to listen to that story when it's genuine." ➤



Matt Kuiken says the story of Kuiken Brothers has been there for a long time and it just became a matter of empowering employees to share it. “It gets back to our people, our culture, our story, and people engaged in what we do every day. It’s not a protocol, or a structure, for sharing on social media. It’s just that people are rightfully proud of what they do, and encouraged to share their stories.”

The employee pride is easy to see in Kuiken Brothers social media posts. As the company nears 100 delivery vehicles between both residential and commercial projects there are a lot of moving pieces that must fit together perfectly, and when they do, it makes for compelling content.

“We have boom capabilities up to eight stories,” Matt Kuiken said. “In urban settings, those deliveries have to be well-orchestrated. There’s a lot that goes into serving a densely-populated area. We’re on busy streets that often require police oversight and traffic-control around the delivery destination. That stressful and highly-choreographed operation is not for everyone, but we have the best teams in the industry, and routinely get feedback from customers saying, ‘your delivery guys are unbelievable.’”

PEOPLE-FOCUSED

All nine Kuiken Brothers locations serve customers “through an integrated approach to market,” Matt Kuiken said. “It’s about getting the right product to the right place at the right time, and we have resources throughout the metropolitan market to get that done right, every day.”

Doug Kuiken echoed that sentiment, adding that “It’s all for one and one for all.” His philosophy is based on seven words that all start with the letter P, he added. “It’s about our people, planning, product, performance, passion, professionalism, and profitability. It’s all important. Culturally, we’ve been taught from the beginning to work hard, fly right, and do it all with integrity.”

“PROFIT IS NOT A DIRTY WORD. IT’S WHAT YOU NEED TO INVEST IN YOUR COMPANY, INVEST IN YOUR PEOPLE AND YOUR COMMUNITY. YOU NEED TO PLAN FOR PROFIT AND WORK TOWARD PROFIT. EVERY YEAR, THAT’S INCREASINGLY MORE CHALLENGING AS THE WORLD EVOLVES.”

— DOUG KUIKEN

He added that reinvestment in community is an ultimate goal. “Profit is not a dirty word. It’s what you need to invest in your company, invest in your people and your community. You need to plan for profit and work toward profit. Every year, that’s increasingly more challenging as the world evolves. The company looks strategically to the future and tries to determine what the outlook will be in three to five years and then determine the moves we’ll make to be successful there.”

But ultimately, he said, “This business doesn’t run itself, it’s all about good people.”

Matt Kuiken agrees. “Our people are our biggest competitive advantage. We continue to invest in education, training, recruitment, and retention. From comprehensive employment benefits to our commitment to safety and employee enrichment, we are 100% focused on our people.” ■

GET TO KNOW KUIKEN BROTHERS

FOUNDED:	1912
OWNERSHIP:	FAMILY
LOCATIONS:	NINE
EMPLOYEES:	320
SALES SOFTWARE:	EPICOR BISTRACK
PURCHASING GROUP/CO-OP:	LMC
TOP THREE BRANDS SOLD:	(RESIDENTIAL) ANDERSEN WINDOWS BOISE CASCADE EWP WEYERHAEUSER (COMMERCIAL) CERTAINTEED CLARKDIETRICH NATIONAL GYPSUM



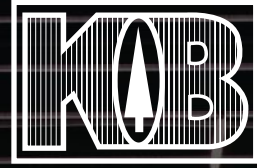
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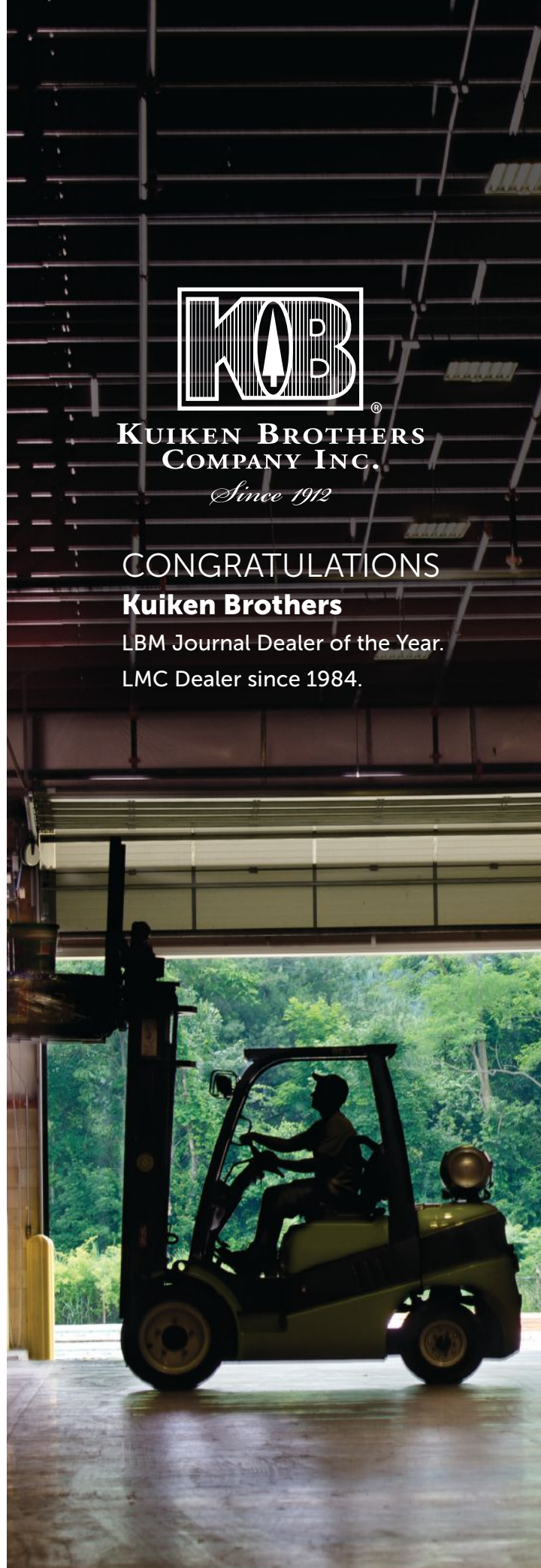
Since 1912

CONGRATULATIONS

Kuiken Brothers

LBM Journal Dealer of the Year.

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“We don’t deliver prices in our industry. We deliver starting points.” Rick Davis made that statement in his presentation at the LBM Sales Master Class. The problem, Davis notes, is that salespeople presume there will be a negotiation before it even occurs. This results in salespeople sometimes lowering prices unnecessarily in an industry notorious for razor-thin margins. Then again, many would argue, it’s better to make the sale with a slim margin than to let your competition get the sale. It’s a timeless challenge with no easy answers, which made pricing an ideal topic for this month’s survey.

NON-NEGOTIABLE PRICING

BY LBM JOURNAL READERS

AS THE TITLE SUGGESTS, this month’s Real Issue. Real Answer. is inspired by a reader whose company is thinking of making its pricing non-negotiable. Here’s what he wrote: “We currently give salespeople some freedom to adjust prices in order to make a sale, to keep a customer happy, etc. But we’ve noticed that some of them discount as much as they’re able without getting approval. We’re thinking of locking-down our prices, and not allowing reps to change. However, we question whether the additional margins we’d earn would be worth the aggravation to our customers and employees. We’d love to hear from other readers before moving forward.”

We built a very brief, three-question survey around this question, and sent it to the *LBM Journal* subscribers who’ve opted in to receive our email communications. A big thank you to the 150-plus readers who took time to join the conversation. It truly is a great question, as demonstrated by the insightful answers you’re about to read.

QUESTION 1

First, we wanted to gauge where LBM dealers stand on this topic, so we asked: "Which one statement below best describes your company's pricing strategy?" As the chart shows, nearly three in four respondent companies give salespeople some flexibility with pricing. The majority, 57%, allow salespeople to adjust prices within a set range before requiring approval, while 17% give salespeople free reign to adjust prices as they deem necessary. Just over a quarter of respondent companies, 26%, do not allow salespeople to adjust prices without approval. Here are some comments:

"Gross margin discipline is essential. It helps to educate the sales force as to the realities of doing business. A little education goes a long way in this regard."

"We have a special 'discounted' price list that can be used in competitive situations."

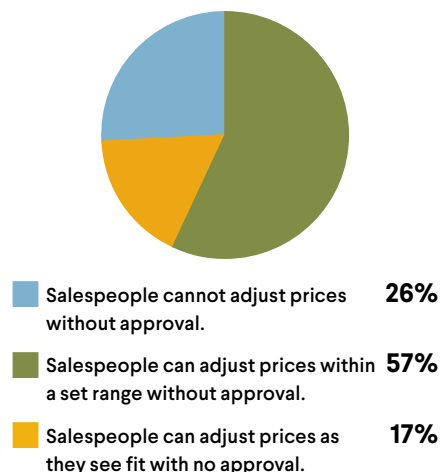
"I give our salespeople some flexibility, within a well-defined, set 'range.' In over 50 years in business, my strategy has always been, 'If I give up something, I have to get something in return.' We're, perhaps, more cognizant of our costs than most other companies. If we make a price concession, we're usually in the process of upgrading the sale, or (i.e.) increasing the size of the order. I also, personally, authorize price adjustments based on whether the current business trends are on the upswing, or during down times."

"We like to think that we follow option 2 (adjustments within a set range without approval), but for the most part, we really are following number 3 (adjust at will, no approval necessary)."

"We do once in a while adjust a price, but everything else is sold at what our current market price is. I do follow the market, and we are usually ahead of the other dealers in our area on pricing. Our relationships with our contractors are the main thing, they know that our pricing is going to be competitive, so they really don't spend much time shopping us."

"Any price adjustments outside of a 10% reduction, or on a list of specific products, need approval from the owner."

"While required to sell within a set range, a majority of the time, it is approved to sell below the set range."



"We took away the ability for salespeople to adjust, and over the course of two years, our margins have risen 5 points. It takes a lot of pressure off of the salesperson when they know they can't negotiate."

"Our salespeople earn commissions on the gross profit of their sales. In the past, we allowed them to make adjustments up or down according to what they felt it would take to make the sale. We are changing to a floor for going down. If we need a price below the floor, salespeople must get permission from their manager. They can raise the price for a higher margin if they can make the sale."

"Salespeople can adjust prices, then a price override report is sent to the manager who addresses the changes with the salesperson."

QUESTION 2

HOW WOULD YOU ADVISE THIS DEALER?

"We currently give salespeople some freedom to adjust prices in order to make a sale, to keep a customer happy, etc. But we've noticed that some of them discount as much as they're able without getting approval. We're thinking of locking-down our prices, and not allowing reps to change. However, we question whether the additional margins we'd earn would be worth the aggravation to our customers and employees. We'd love to hear from other readers before moving forward."

"Agree. Lock down prices, and set margin expectations on special orders."

"Not changing the prices adds credibility to our business and the salespeople don't have to think about negotiating so it takes the pressure off of them. Plus, our margins have risen steadily."

"Any salesperson that makes 'unauthorized' price concessions, without first getting approval, won't be working for us for very long. If that employee comes to me first, to explain what benefit to the company (not to him/herself) can be gained by offering a discounted price, outside the parameters of the pre-established norm, we'll always listen."

"We run all our pricing through central pricing system for all 'package' or volume quotes. Any over-the-counter pricing is 'auto priced' based on customer type... consumer, builder/remodeler/GC. Any price overrides are captured by our POS system and managers receive notification. If a 'coaching moment' is appropriate, they address directly with that associate." ➔

"If you lock down prices, you have to make sure the price team is in-tune with the market you serve. LBM dealers sell many SKUs, and therefore not all price strategies fit all product groups and all markets. You also have to make sure there is support or a 'war room' for sales as an immediate resource for negotiations and tactics."

"I often struggle with this as well. When I review our daily Order Exception Report where I see discounts given, I get kinda agitated, but I've mostly decided to stop paying attention to this on small orders. When I was nit-picking these inconsequential discounts in the past, I almost always found that there was usually a good reason why they gave the discount—typically product damage or customer goodwill. But when I did this, it also made our employees feel like I was fixated on all the random little things they did wrong, while overlooking the things they do right all day long. I still ask for more information when an aggressive discount is given on larger orders. I usually get a good explanation, but it reminds our salespeople that I'm paying attention and I think (hope?) this makes them more mindful about only discounting when necessary."

"I would talk to the salespeople about not going to the deepest discount first. They will find most of the time they will still make the sale. I think locking down prices is a mistake. Run weekly margin reports for each salesperson and talk to them on what you expect."

"Reinforce your value proposition with both your sales team and customers, then create incentives for your sales team based on margins not just sales volumes. Make it a win-win situation. Higher margins for you, additional pay for your sales staff. This will also drive your sales team to put more effort into higher margin products."

"Sometimes we are higher priced than the competition, sometimes lower. It averages out. Once salespeople understand that and the customers understand that, we simply have to offer the best service."

"Our inside sales reps are on a short leash with little wiggle room. Our outside staff are on commission and incentivized to make as much as they can while securing the sale. Training, coaching, and experience is needed to get the sales reps to get as much as they can out of a sale."

"Don't take away their opportunity to make the sale. Salespeople are in the best position to know the competitive situation. If they are making bad decisions train them on the importance of gross profit. Give them feedback on the gross profit by customer and transaction. Tie their compensation to gross profit dollars."

"You absolutely should remove that freedom. I guarantee that if they have to come to you for approval for that price exception, they will discover that the discount isn't actually necessary 98% of the time. We have seen major margin movement upwards on key items, and in general, since removing the ability to discount, and minimal to no customer issues."

"Give them a range."

"Good idea as long as pricing is reasonable. We spend a lot of time managing the purchasing of product. We should exercise the same care on pricing. Minimum margins and target margins should be established and controlled."

"Different customers and projects can have vastly different costs. Operational, cost of funds, returns, etc. These and other factors will undermine any 'lock down' of pricing. Consider a checklist that would effectively determine any deviation from established pricing."

"You must have limits. For negotiation to happen, both sides need to give something or it is considered giving."

"We have found that with our larger accounts, create a special price list monthly for them individually. This way, there is no need for price changes. We send the customer this price list and it is static for the entire month."

"Are your salespeople on commission? Does the commission drop if the price is discounted? Do you pay commissions on sales or profit dollars? What type of proof do you require from a customer who claims they can purchase at a lower price? Are your salespeople trained on the reasons price is set where it is? How much experience does a salesperson need before you allow any pricing discounts?"

"We pay our salespeople a percent of the GP dollars (not the sales \$). The percent number is determined by two variables—the total GP \$ and the GP%. Based on our formula, a salesperson reduces his/her own commission pay when reducing the sales price or conversely, raises it by setting a higher price. In other words, they have skin in the game. But this does not absolve the sales leaders of their responsibility of watching what's going on and giving feedback to the salesperson when they have engaged in the act of 'stupid pricing'."

"We want our OSRs to make profitable decisions, so we make sure they see the bigger picture. For example, a door package has to average out to 32+ points, regardless of unit prices, for it to make sense to make the sale positive for our company. This is easy to verify, easy to track, and everybody wins."

"If the salesperson is doing a good job for a contractor, the contractor will actually pay more to deal with a good salesperson. We have a salesperson that tells contractors that he's the best, and working with him costs a little more, but he's worth it. His contractors don't have a problem doing business with him and they hardly ever leave him. He has a great relationship with them and takes great care of them."

"It's not an either/or decision. The answer may be providing less freedom. It may be stricter enforcement of existing GPM guidelines. It may be locking down prices on some items that are less price-sensitive, but giving reps more discretion on the most sensitive. Regardless, the reps' compensation must be tied to the GP dollars he or she generates."

"Reel in the salespeople that give away the maximum allowed. Tighten the parameters only on those you find abusive of the program."

"Most prices are non-negotiable. Developing an atmosphere that takes away the customer's permission to negotiate could be a slow process to change, but it is necessary. Providing honest pricing that is comparable to the region/area that you serve has been a time-saver."

"First thing...additional margins are always worth the effort put towards them. Second...I think giving your salespeople the freedom to manage some pricing is good business for experienced salespeople. Salespeople should be part of the discussion when it comes to an effective price strategy and inventory selection. When they have input and understand how the pricing is setup, it gives them confidence in the numbers they are presenting and they won't feel tempted to take a short cut. Lastly....sales training, sales management, and setting expectations should play a big part in how this works."

"Lock them down and retrain your staff to overcome the objections while defending your competitive pricing."

"Lock it down. Salespeople will take the path of least resistance, always. Anyone can give a low price. We expect our sales staff to sell. If you continually allow price deviations, the customer realizes they can beat you up and will continue to do so."

"Illustrate to them what it takes to make a profit. Also, that sometimes they must stand firm."

"We do not let out our sales staff do any pricing, our staff focuses on sales and service to the customers. They know that the sales manager spends countless time preparing for the weeks and months of sales moving forward. Our customers are our partners, they understand that we are in this together, and to stay in business we all need to make a profit."

"The issue with letting salespeople adjust prices, is they start using pricing as their sales tool and not the value of customer service and quality of material."

"I currently work in sales at a lumberyard that gives us full control of pricing. Our main buyer also does our invoicing and if something is too low, we may get a talking to, but for the most part, we know what we can get away with. We also think more long term. We may bid something super low the first time, but make up for it as time goes by. I think it really depends on how good your sales team is and how much thought goes into the process."

"Freedom to adjust prices by our employees is important. If an employee is discounting too much, they will be coached after the sale on margins and good answers to the customer who is just looking for the lowest price."

"We have set price levels for our customers, so that no matter who writes a ticket, they get the same price. We pay commissions on collected sales, not margin."

"Pay commissions based on gross margin. Set your desired G/M to pay maximum commission and your lowest acceptable margin at which they will not earn a commission."

"What are they comparing our pricing to? If it is Home Depot, we pull it up on the screen and will generally match if they are lower, but most of the time we are lower. We ask our salespeople to always check HD before just giving in. Also are they comparing the same product or is it an inferior product?"

"Set a minimum GP for commissions to be paid and let the salesman control the pricing." ➤

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FROM WHOLESALE DISTRIBUTORS

"In business for 74 years and only two salesmen were ever given the authority to adjust pricing. Of those two, one is now the owner, the other is his operations manager. As long as your salespeople give you accurate information you can compete with anyone. Biggest challenge is making sure you are open and honest, so that your salespeople will sell themselves and your company."

"Engagement and empowerment comes from pushing authority to information. Transferring some authority to those at the lower end of the organizational chart will create a more agile business operation. Leadership is not a decision-making machine. Leadership is to provide clarity of organizational goals, and ensure technical competency through decision analysis. If both of these objectives are maintained, you will have more engaged and effective salespeople, achieving the goals of the organization, without restrictive structures."

"Your salespeople should always have competitive market information to back up customers' claims before discounting."

"Turn your salespeople into profit-minded entrepreneurs. Incorporate gross profit in your compensation plan."



FROM MANUFACTURERS

"I personally do all our pricing. Over the years, we have helped customers out if they need some help on price to get a job. During the slowdown starting in 2007 and later, we cut prices to the bone to keep our staff in place and not have to make any cuts in people. But, since we are enjoying record sales now, we don't have to 'low ball' a bid to get our foot in the door. I always say and have seen it for many years: if you have done a great, not good, job with customers, they will stay with you. But, at times, a new competitor shows up and they only have price and not service. Be flexible if you need to be."

"It's so sad that salespeople automatically assume that the customer won't go for the price. I wish there was a way to keep track of the ones you lose due to price and how much. Then make the lock-the-price decision."

"This dealer should optimize their customer segmentation while giving their sales reps pre-approved 'Floor, Target, and Expert' level pricing options. This way, margins can be increased while minimizing approval time."

"I believe 90-95% of your customers do business with you despite pricing differences. This is especially true if it is a matter of a couple of percent. Dropping your margins to gain 5% of your market more likely will reduce your overall margins to those customers who would do business with you anyway."

"I think using a range for pricing can be effective. We look at loyalty and number of lines a customer buys from us to help determine their pricing. That's not to say we don't do one-offs on occasion, but those instances require a manager's approval. We try to limit any pricing skeletons in our closet."

"Set margin range and allow flexibility. Encourage salespeople to start at the higher end of the margin range. Perhaps certain cases (jobs/projects/customers) may require special attention/adjustments and should be discussed with your VP of sales, etc. Or perhaps you lock pricing for certain items/categories, but not all. This would allow pricing flexibility for your customers on some products while allowing you to control others. Minimal flexibility may be better than none at all."

"We have a minimum price established by management for the two types of customers we service, the custom home builder and the production builder. The sales team cannot sell below that price without approval from management. Since their commission is driven by gross margin dollars, they seldom ask to sell to the bottom feeders."

"Our director of sales sets minimum margins for special order items. He has four price levels and sets our customers at one of those price levels, corresponding to their loyalty to us, purchase history, payment history, etc. This prevents salespeople from 'giving away the farm' and gives everyone guidelines. For stock items, if a salesperson wants to give better pricing to compete with another supplier, we send the quote to our director of sales and he 'sharpens the pencil' for that particular job."

"I think it is best to make a mutual decision on how to slash profits."

"Let them adjust as they see fit, but set some limits. We are looking at basing salary off of net profit per salesperson. Base pay plus incentive based on profit, not sales."

"We are working towards locking down prices and have approval for exceptions. This requires a great deal of upfront work, good communication, and teaching how to sell but in the long run it should pay off. Car dealerships do it everyday. You wouldn't buy a car without the salesperson saying, 'let me check with my sales manager.'"

"We have margin guidelines based on product category and customer type (e.g. retail, remodeler, small builder, large builder). Salespeople can adjust margin within a couple percent without approval. For example, a retail sale of windows might have a 30% margin and could be adjusted to 28% by the salesperson, while the same sale for a large builder might be at 24% margin and could go as low as 20% to match a competitor."

"We give our salespeople the freedom to adjust the prices as needed. It is in their and the store's best interest to be firm with prices, but also have the flexibility to adjust the prices to make the sale. To let the sale walk out the door over a minor price adjustment would be foolish."

"Set a profit margin that they cannot go below. The challenge is, do you want to be a salesperson or an order taker?"

"We set our pricing based on market conditions, almost always off of replacement cost on commodity lumber and panel items. We do our best to update the market costs at least weekly and sometimes more often when prices are volatile so as to have competitive pricing in front of our customers. Our salespeople know that we are offering competitive pricing, and they focus on selling our service and quality of product instead of constantly haggling over pricing. There are occasions where we might adjust an item or two to sell the package but those are the exception rather than the rule."

"Lock it down!" ■

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BY MIKE BERGER

INSULATION AND HOUSEWRAP

INNOVATIONS IN PRODUCTS, COMBINED WITH LABOR-SAVING FEATURES, MAKE INSULATION AND HOUSEWRAP STRONG CONTENDERS FOR DISTRIBUTORS' INVENTORIES.

WITH MORE THAN 100 companies competing in the U.S. insulation and housewrap materials industry, there is a fierce ongoing battle to create thermal and water barrier products that will outperform the competition. And the landscape for this battle shows every sign of increasing.

According to the Freedonia Group, U.S. demand for insulation is forecast to enjoy healthy gains. Many states are adopting the more recent International Energy Conservation Code (IECC) mandates, which call for nearly 30% more insulation in new housing construction than previous versions. Additionally, interest in increasing the energy efficiency of existing structures will help growth in these product segments. These statistics, along with continuing expansion of green building practices, should support growth in the U.S. insulation market through 2021.

In the midst of that growth is a changing face of the market. According to Home Insulation Research Labs' "2019 Annual Builder Practices Survey" of home builders, home buyers are beginning to favor smaller homes, and increasing labor and materials costs are forcing builders to find lower-cost alternatives.

While these factors appear to be pulling the market in different directions, in order to make the most of the predicted market growth the successful

LBM dealer will need to stay one step ahead by becoming not just a peddler of product, but a purveyor of product knowledge as well.

THE CHANGING— AND NOT SO-CHANGING— FACE OF THE INDUSTRY

When examining the insulation and housewrap markets, it's easy to be fooled into thinking that they are rather stagnant—or at least slow moving—when it comes to trends. After all, these products aren't like other segments of the building industry that are subject to the vagaries of aesthetic design. And to some extent that perception is correct.

For example, fiberglass remains the dominant player in the category, a fact that has not radically changed over the years. According to Home Insulation Research Labs' "2019 Annual Builder Practices Survey," fiberglass batts and blown fiberglass made up a combined 71% of insulation used in single-family homes in 2018, and that's a trend that will most likely continue for the next few years. In its report, "Insulation in the U.S. by Material, Market and Region, 12th Edition," the Freedonia Group predicts that fiberglass will continue to be the market leader due to the fact that construction professionals and DIYers continue to favor the material because of its affordability, decent performance, and ease of installation.

It would be unwise, however, to think that change never happens. Rising demand for sustainable residential building materials, technological enhancements in thermal insulation such as vacuum panels, research in transparent thermal products, and an increasing demand for products that deliver higher R-value and better moisture management drive product development and innovation while eating away at fiberglass insulation's market dominance. ➤

OPPOSITE PAGE: PROLinX Select by BlueLinX is rated for commercial projects and is UV-Stable to resist degradation for up to 300 days when exposed to the elements. Engineered to be lightweight and durable, PROLinX Select is translucent which makes locating studs, openings and corners quick and easy.

BELOW LEFT: TamlynWrap Rainscreen 6.3 is a 3-in-1 water-resistive barrier system engineered to enhance drainage efficiency, drying proficiency, and improves construction expediency. The product is said to help the sheathing dry faster and last longer than usual. The back of any cladding can also dry more efficiently due to the 6.3mm air cavity between the cladding and the sheathing material.

BELOW: WeatherSmart Rainscreen is an accessory to the Fortifiber 1-2-3 Moisture Control System by Henry. The "dimpled" matrix configuration of WeatherSmart Rainscreen creates an effective gap to channel water down and out of wall assemblies, and is said to enable quick drying of the wall cavity.



The changing nature of the consumer/homeowner is also having an effect on product development. Compared to just a few years ago, homeowners are more aware of energy efficiency and moisture management, and as a result they are actively seeking out information on the materials that are going into their homes.

"It is not uncommon for a potential homeowner to call us up and ask specific (and detailed) questions about our BLOCK-IT building materials products, as well as the overall weatherization process, and what they should be looking for when they are purchasing a home," says Scott Tennison, director of innovation and launch management for Kimberly-Clark. "They want to know that the housewrap has the right technology for the exterior cladding the builder has chosen. They want to discuss the science of weatherization in general. They are looking for peace of mind that the weatherization product is manufactured by a company that they trust and that they know will be around in the future if questions arise."

Kimberly-Clark's BLOCK-IT House Wrap features non-compressible technology that, according to the manufacturer, offers greater than 98% water drainage ability, which is one of the highest in the market, and is multi-directional to help keep the wall as dry as possible.

REGIONAL CODES DRIVE INNOVATION

Because building codes evolve over time—and sometimes those changes can be quite rapid—it can be a challenge to stay up-to-date in regards to insulation and building envelope requirements. Standards per state can (and do) vary, so it is vital for the successful LBM distributor to stay informed on the requirements of their specific area.

Take for example the state of California. Its Title 24 requirements address the energy efficiency of new (and altered) homes and commercial buildings. Since 1978, California residents have been required to meet these energy efficiency standards, and manufacturers are constantly working to keep pace with codes.

"Building codes continue to evolve, focusing on better efficiency and protection, and we are seeing that in initiatives such as Title 24," says Kimberly-Clark's Tennison. "We are not opposed to improving the building envelope, and we continue to look at technology to see how we can better perform as a weatherization product. At times, code changes can be viewed as more of a challenge and less like an opportunity, which I believe they are. We should all be working to provide the

most efficient products to continue to improve on structural integrity."

In addition, manufacturers are developing products to meet codes that now deal with product lifespan as well as performance. "With building codes focusing on better performance," says Tamlyn's Joe Fong, "codes that factor on longevity and the environment are becoming more and more common."

EASY INSTALLATION TOPS BUILDERS' LISTS

At the top of most builder's must-have list when it comes to insulation and housewrap—or for any building material these days—is ease of installation. Because of skilled labor shortages, crews are working with fewer and fewer people. According to research organization McKinsey Global Institute, construction productivity has fallen by half since the 1960s. While fingers can be pointed at a variety of factors that has brought this about, there's little doubt that the shortage of skilled workers is one of the biggest industry threats; in fact, as of April 2019, the U.S. Labor Bureau estimates there are 434,000 vacant construction jobs. As a result, builders need every advantage they can get in terms of installation ease and speed.

"Ease of installation is critical," says Joe Fong, senior architect for Tamlyn. "Builders need to know that the product will actually perform as advertised, and workers need to have access to installation instructions when needed."

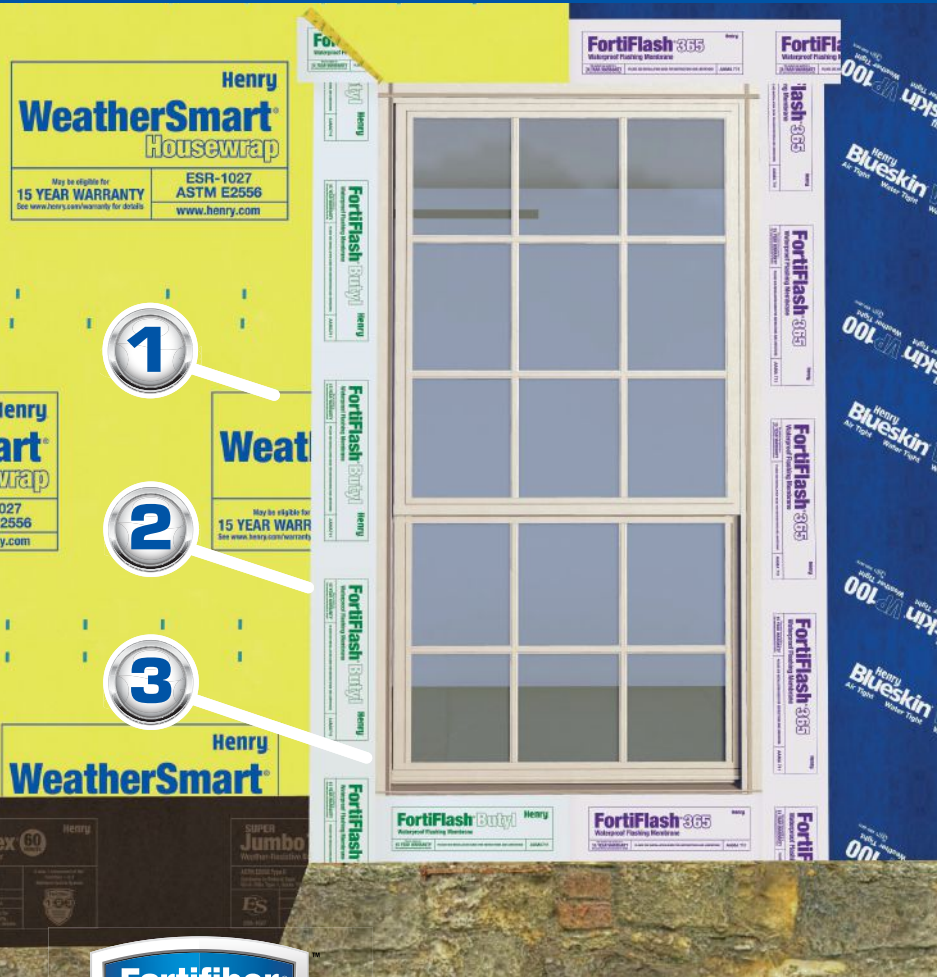
Kimberly-Clark's Tennison agrees, and he points out that it is the responsibility of the manufacturer to address these concerns. "Builders want the installation process to be simple and easy for their installers," he explains. "For example, some weatherization systems are so complicated that you have to make sure you have the exact number of fasteners spaced out exactly in the correct spot, and your OSB joints with a perfect gap, just so your weatherization system has a chance to provide some level of protection. We need to make sure the installation process is simple, easy, and the product is effective without them having to jump through dozens of hoops to install correctly." ➤



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PRODUCT KNOWLEDGE IS KEY FOR DISTRIBUTORS

When pressed, most of us would admit that we don't like change very much. For contractors, change can be especially scary, particularly when it comes to switching to new products or changing technology—after all, their reputation is on the line, and a switch to a poor-performing product could be disastrous. Throw in potential litigation, and things can get ugly.

For the LBM distributor, success comes from being able to assuage those fears by providing sound product knowledge for both the builder and the homeowner. "Distributors need to provide clear and defined information about the product," says Tamlyn's Joe Fong. "Product information, installation videos, and customer testimonials are essential and build credibility."

In the case of housewrap, Kimberly-Clark's Tennison points out that it's the responsibility of the dealer to educate builders and homeowners alike on the necessity of the product. "Distributors really need to push the fact that keeping the wall structure dry is critical to the entire structural stability of that entire home," he explains. "Housewrap is an integral part of the protection and longevity of the structure. Without a quality non-woven housewrap behind the exterior cladding, the structure is at risk for failure even when using a top of the line exterior cladding. The homeowner doesn't see the protection, but it is working every day to keep their home efficient and the builder's reputation strong."

David Delcoma, product marketing manager for MFM Building Products Corp., shares this example of how LBM dealers can differentiate themselves from the competition simply by being the "go-to" information resource on housewrap, flashing tape and insulation. "We routinely see projects where housewrap and insulation are installed incorrectly," he says. "It is critical [for the LBM dealer] to note key installation tips to the contractors to eliminate potential problems for them down the road." For example, he explains, if a contractor installs housewrap in such a way that it covers the

header and sill sections of a window's rough opening, or if they flash over the bottom nailing fin after the window is installed, water damage can occur in the future because the housewrap will fail to keep water from infiltrating the structure. With the proper information from the distributor, he says, distributors can help their customers better understand the products they are buying and correctly use them.

So how does a dealer amass the needed product knowledge? By taking advantage of the many educational resources offered by the manufacturers. In the case of Kimberly-Clark, it offers AIA-accredited training programs on both its product line as well as non-product specific training on structure weatherization. Tamlyn has a series of videos on its YouTube channel, "TamlynTV," as well as continuing education courses offered through Hanley Wood University and Architectural Record.

In the case of DuPont, it relies on trained specialists who can provide onsite hyper-focused product solutions. For example, its DuPont Tyvek Specialist Network can educate suppliers and builders on issues such as updates to building codes, keeping up with current trends and challenges, and provide on-site product guidance and training. In addition, dealers can reference the Dow Answer Center, an online database of product technical information.

Georgia-Pacific offers training and support programs as well as AIA-accredited CE courses and on-site training. And CertainTeed conducts hands-on training events at distribution centers across the country. These can be scheduled at the convenience of the location, and a fully-equipped trailer along with an expert trainer will come onsite and perform demonstrations for professional attendees.

It is through a partnership with manufacturers that LBM dealers will ultimately win. Success comes from not simply selling an array of well-performing products—although that is certainly part of the equation. By being a resource for product and installation knowledge, an LBM dealer ultimately becomes the top-of-mind supplier for its customers. And the more the dealer helps its customers build their reputation by providing performance-proven products and top-notch information, the more everybody—dealer, builder and homeowner—wins. ➤

WindowWrap PSX-20 from MFM is a self-adhering 25 mil waterproofing flashing tape constructed of an aluminized, multi-layer polymer film coated with a specially formulated rubberized asphalt to stand up to UV exposure. According to MFM, it effectively stops water leaks around windows and doors while reducing outdoor noise and air infiltration. It can be used under wood or vinyl siding, brick and stucco, or as a weatherproof barrier for ACQ-treated lumber, features a removable release liner for fast and easy installation, and saves time, material, labor and utility costs.





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SHEATHING SYSTEMS ON THE RISE

SHEATHING AND TAPE SYSTEMS—also referred to as integrated air and water barrier systems—continue to gain acceptance among builders and contractors, and the market for these types of products seems to be steadily growing. Like the insulation and house-wrap product segments, sheathing and tape systems are impacted by factors such as the skilled labor shortage and a growing demand for better energy efficiency. But other factors are at play that are driving increased usage of these products.

According to the U.N.'s disaster-monitoring system, America sits alongside China and India in suffering the

greatest number of natural disasters globally between 1995 and 2015. Because of this, more builders and homeowners are turning to sheathing and tape systems. "Tornadoes, hurricanes and tropical storms are driving a need to incorporate more structural performance into buildings and putting a great emphasis on quality sheathing and tape," says Jason Darling, general manager of Huber's ZIP System products. "In the past, codes and certifications focused on energy standards, and hadn't necessarily focused on enhancing structural performance. We now often answer questions on our technical hotline confirming that ZIP System sheathing comes as a Structural I rated product and is available in high-wind zone panels."

The growth of the housing market itself, along with decreased demand for large homes but an upswing in smaller,

energy efficient "starter homes," is also driving sales growth of these products. "Housing starts and remodeling activity pickup are also driving the need for products like sheathing and tape systems," says Casey Smyth, marketing product manager for LP Building Solutions. "The overall increase in projects is driving a need for greater efficiency without sacrificing quality. An integrated tape and sheathing system can meet both goals."

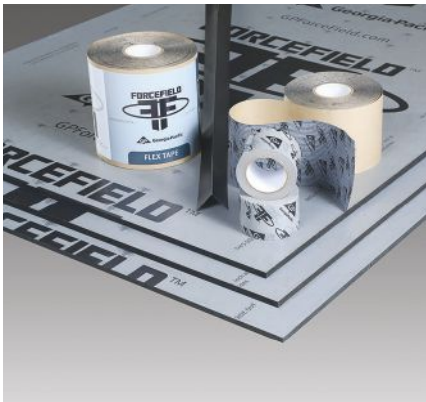
ZIP System's Darling echoes Smyth's comments. "We saw multifamily building grow for a number of years as millennials moved out on their own, but they are now buying their first homes. What's interesting is that this does not mean there is a need to cut costs of product systems. Builders still need high-quality performance and productivity to produce homes faster, and in the case of ZIP System sheathing and tape, we're seeing it used on these smaller homes to enhance productivity. Many builders see an integrated sheathing system as a part of their installation efficiency to maintain timelines."

MAKING THE SWITCH

Because of the aforementioned shortages in labor and the need to create installation efficiency while maintaining energy efficiency, builders are more and more turning to sheathing and tape systems, and LBM dealers need to be ready to provide these products.

"Builders are looking for a quality product they can put on their homes and have high confidence that it's going to perform as advertised," says Jeff Key, senior marketing manager for Georgia-Pacific Building Products. "If they're using housewrap and looking to switch to an integrated system, they have to make sure the benefits outweigh any cost differences. Many times, the material cost of an integrated system is the same or a little bit more than housewrap, but once you calculate the time and labor difference there can be huge savings."

ZIP System's Darling agrees. "Builders are looking for a sheathing and tape system that is readily available, affordable and has a track record of proven performance," he says. "Additional



ABOVE: The ForceField air and water barrier system from Georgia-Pacific consists of structural engineered wood sheathing panels laminated with a proprietary air and water barrier system. Once the panels are installed on a structure and the seams are taped with ForceField seam tape, it creates a code-compliant, integrated system that eliminates the need for housewrap.

ABOVE RIGHT: According to Huber Engineered Woods, its Zip System flashing products are especially suited for difficult-to-flash areas such as pipe penetrations and roof valleys. The manufacturer offers a variety of flashing options for full design and installation flexibility, including extended tape sizes with an enhanced formula that can be applied between 0 degrees and 120 degrees Fahrenheit.

RIGHT: In 2019, Huber introduced three new sizes of ZIP System stretch tape that uniquely stretches in all directions to easily apply around corners and curves.





According to LP, its WeatherLogic product line helps to safeguard a home from water intrusion while allowing moisture vapor to escape. It creates a tighter building envelope to reduce air leakage for a more energy-efficient home for the owner. Installation of LP WeatherLogic is easier than traditional housewrap, with the potential for labor savings and a cleaner, more professional-looking jobsite.

value propositions like curb appeal or meeting energy codes can also come into play but at the foundational level, builders want a system that is easy to use and one they know will work."

Unfortunately, builders are often reluctant to change materials or practices. "Builders are notoriously late adopters to new products and technologies," says Georgia-Pacific's Jeff Key. "We build homes much the same way we did 50 years ago because it has worked. A builder puts their reputation on the line when they change a product or a process, so they want to be very sure any change they make in product or process is going to be to the benefit of their customer."

LP Building Solutions' Smyth agrees that builders can be reluctant to change, and points out that product simplicity is key. "We work in an industry where many people find a product or way to do something and then stick with it," he says. "It's inherently challenging to convince someone who has been doing something a certain way for years to switch to a new way of doing things. To help make the decision to convert, one of the most compelling reasons must hinge on simplicity. It has to be an easy switch that equates to an easier on-the-job application."

OVERCOMING FEARS

So how does an LBM dealer make a product switch easier for their customers? By staying up-to-date on product information and by being a resource for product knowledge, they can not only make a product change easy but more importantly, profitable for their customers. "Staying educated on all these new technologies is imperative," says Georgia-Pacific's Jeff Key. "The rate of innovation and change in construction is higher than ever, and consumers are more educated than they've ever been. Making sure they are on top of the latest and greatest products and processes can help the LBM dealer stay ahead."

The good news is dealers aren't alone. Most manufacturers provide training, technical support and product knowledge tools, and by partnering with manufacturers, dealers can become the go-to, top-of-mind resource that their customers will turn to, time and again. "At LP, we take pride in our approach to helping solve problems, and this is something our customers value in us," explains LP's Smyth. "Dealers can take that same approach and build their relationships further. Relative to sheathing and tape systems, develop a strong understanding of the top value propositions and differentiators within the WRB category so you can clearly communicate this to builders when they are seeking solutions in this area."

It is through this strong partnership with the manufacturer that LBM dealers can ultimately win. "At Huber, our representatives are there to assist dealers in driving awareness through education," says Darling. "ZIP System is changing the way builders install walls. It's a new way of doing things. LBM dealers can teach customers what it is, but it should not fall to them to be out in the field. Our nationwide team of sales support and live technical support pros are eager to be a collaborative partner with dealers." ■

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

INTERNET INFORMATION

Companies highlighted participated in this article.

CertainTeed:
www.certainteed.com

DAP:
www.dap.com

DuPont Tyvek:
www.dupont.com

Fortifiber:
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Georgia-Pacific:
www.buildgpc.com

GreenFiber:
www.greenfiber.com

Huber Engineered Woods:
www.zipsystem.com

Huttig:
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Insulfoam:
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Johns Manville:
www.jm.com

Kimberly-Clark:
www.kimberly-clarkbuildingmaterials.com

Knauf:
www.knaufinsulation.com

LP Building Products:
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EACH MONTH, HUNDREDS OF PRODUCTS HIT THE LBM MARKET. HERE'S OUR PICK OF THE ONES TO WATCH.



Simpson Strong-Tie WSV Subfloor Screws

Simpson Strong-Tie's new line of Strong-Drive WSV Subfloor screws are designed to reduce driving torque, increase installation speed, and nearly eradicate the squeaking caused by poorly fastened subfloor sheathing. Re-engineered from head to point, Strong-Drive WSV Subfloor screws are engineered with a ribbed head design that countersinks screws for a clean, finished appearance and a variable thread to ease driving torque and speed fastening jobs when used with the Quik Drive auto-feed screw driving system. Available in 1-3/4", 2", 2-1/2", and 3" lengths, Strong-Drive WSV Subfloor screws have a yellow zinc coating for interior applications and are the only fasteners to be dual-evaluated per ICC-ES AC233 and ICC-ES AC120. go.strongtie.com/quikstik

MoistureShield's Elevate capped wood composite decking

MoistureShield has unveiled Elevate, designed with advanced protection for an entry-level budget. Elevate capped wood composite decking features a protective cap formulated to shield each board from impact, corrosion and harsh weather. Elevate is available in two colors: Lake Fog is a soft gray shade, while Canoe is forest brown. Elevate 5/4 deck boards are available in 12' and 16' lengths in grooved profiles (for hidden fasteners) and 20' lengths with a solid edge for deck stairs and picture framing, as well as fascia boards in 12' lengths. Elevate decking is fully protected by a limited lifetime structural warranty for residential, as well as a residential 30-year limited lifetime fade and stain warranty. Elevate will be available in select markets for the initial launch, with plans for a broader roll-out in 2020. moistureshield.com



PROLinX Building Wrap

PROLinX Building Wrap is a weather barrier that offers four different choices of building wrap options. Broadcast printing is available, which allows for alternating images and flexible order sizes as small as 13 rolls. PROLinX Building Wrap also offers WRAPLAB, a website allowing customers to create and visualize their next building wrap project. PROLinX Building Wrap is rated for commercial projects. It meets applicable building codes for weather resistant barriers. In 2020, PROLinX Building Wrap will offer a system warranty that will include their PROLinX Building Wrap, PROLinX Tape and PROLinX Flashing. bluelinxco.com



Alside's Trimworks with SwiftLock technology

Alside's new decorative window accents are said to reduce installation time by 20 to 40 minutes per window. Designed for the Mezzo Full-Frame Replacement System, Alside's Trimworks with SwiftLock technology reduces waste materials and eliminates the need for special equipment, training or cutting skills to trim a window. More windows can be installed per day, the company says, which means increased profitability for the contractor. Depending on the desired look, installation time can be reduced between three to seven hours for every 10 windows installed. This system features a variety of designs from traditional to contemporary to enhance a home's exterior, including: Brickmould (1.5" and 3/4" sizes); 3.5" Flat Casing (available 4-sided or with bullnose sill); Flushmount (for masonry openings). In addition, Mezzo comes with a lifetime limited warranty and is available in 13 color options, which feature a polyurethane coating technology with heat-reflective pigments. alside.com/mezzo



Henry Blueskin VP100

Henry Blueskin VP100 is designed to deliver next-generation air and water barrier protection for wood-framed residential and multi-family construction. Engineered to eliminate water and moisture intrusion while allowing walls to breathe, Blueskin VP100 is a self-adhered, vapor permeable, water-resistive air barrier membrane that can be used with most cladding materials when installed as part of a code compliant assembly. Installation of Blueskin VP100 can contribute up to 50% energy savings, according to the manufacturer. Combining an engineered film and a patented, permeable adhesive technology with split-back poly-release film, Blueskin VP100 is suitable for both new construction and re-siding projects.

henry.com



PURewall by Hunter Panels

PURewall residential wall assemblies are engineered to offer panelizers the components and technology to create a highly energy-efficient, total wall solution for builders. With a combination of Hunter Panels' proprietary PW-CG polyiso and PW-STR structural foam, the panels provide increased R-values compared to traditional stick-framing and insulation solutions, the manufacturer says. As an added benefit, the system's polyiso CI and taped joints are designed to eliminate the need for house wrap by allowing the wall to function as a weather, air and vapor resistant barrier. The PURewall framing, insulation, and structural foam are all applied in the panelization facility and shipped installation-ready to the jobsite.

hunterpanels.com/purewall



Kapro Tools 705 Eagle contractor box level

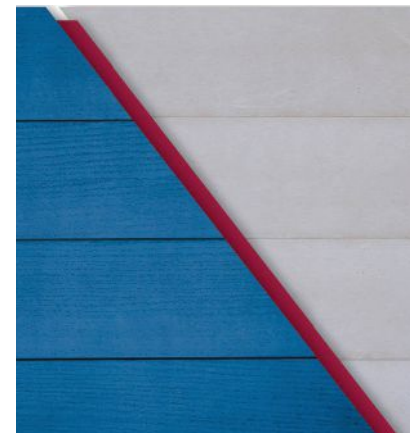
The new 705 Eagle contractor box level is the latest addition to Kapro's line of OPTIVISION Red leveling products. The level is specially engineered for concrete and masonry applications, because of its continuous surfaces on the top and bottom of the level. The level's solid and smooth frame is designed to minimize areas where cement and concrete can build-up, making it easy to clean. The 705 Eagle's center vial features gradient lines for slope measurements of 1%, 1.5%, and 2%. These gradient lines on the level are engraved inside the vial, so they will not rub or fade, the company says. Kapro's patented OPTIVISION Red vials feature easy-to-read bubbles designed to be effective in extreme lighting conditions such as bright light and even direct sunlight as well as low light environments. The 705 is also UV-resistant and comes with a lifetime warranty. kapro.com



Boral TruExterior in reversible Shiplap-Nickel Gap

Boral Building Products is adding a reversible Shiplap-Nickel Gap siding profile to its TruExterior Siding & Trim poly-ash line. The new profile comes in two formats: one features smooth Nickel Gap on one side and wood-grain Shiplap on the other; the second has wood-grain Nickel Gap on one side and smooth Shiplap on the other. The reversible format combines with four different widths and two standard lengths for 16 profile combinations. Like all TruExterior Siding, the new profile is made with Boral's proprietary blend of polymers and fly ash, which is engineered to provide for a high level of dimensional stability for reduced expansion and contraction, and durability for resistance to warping, cracking, and splitting. As a result, the siding requires no sealing of ends or cuts in the field, it can be used in ground-contact applications, and it can be painted any color, including dark hues.

truexterior.com



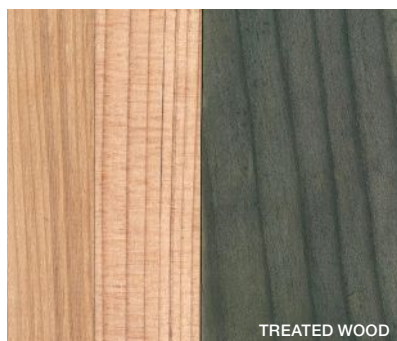
LP SmartSide Smooth Trim & Siding

LP SmartSide Trim & Siding is now available in a smooth finish. As the latest addition to the LP SmartSide line of high-performance products, LP SmartSide Smooth Trim & Siding continues to offer the appearance of traditional wood, while engineered to provide the advanced durability of treated engineered wood. LP SmartSide Smooth Trim & Siding is backed by a 5/50-year limited warranty and features LP's SmartGuard manufacturing process. This process is said to help the products resist termites and fungal decay, for long-term strength and durability in a variety of weather conditions. lpcorp.com



Eco Wood Treatment

Eco Wood Treatment is a non-toxic wood treatment designed to prevent white rot fungi, a common cause of wood decay. The product's non-toxic formula has been used for houses, decking, and marinas for more than 50 years and three generations of craftsmen. Now available to the public, the product is said to never need scraping or re-staining, and won't fade or wear. Eco Wood Treatment is made of naturally-occurring plant and mineral substances and is designed to be friendly to plants, animals, and people, and can be used in direct contact with garden soil. Eco Wood Treatment works on all wood and can be applied by using a brush, roller, sprayer, or by dipping, and can be tinted to any color. ecowoodtreatment.com



TandoStone expanded color palette

TandoStone has introduced two new colors: Nordic Mist, part of the Tando Creek Ledgerstone collection and Glacier Bay (shown), under the Stacked Stone line. Creek Ledgerstone is designed to emulate the rugged look of hand-picked stone with distinct grout lines, while Stacked Stone features a dry stack profile without grout lines between the stones. Drawing from current trends, Tando developed Nordic Mist, a cool subtle gray with warm accents, and Glacier Bay, which includes an array of frosty gray hues. All TandoStone features TruGrit technology—a unique matte texture that offers a low-gloss appearance and the rough, gritty feel of real stone. Developed to be impervious to moisture, TandoStone is used for ground-level or roofline applications and can be installed in any climate. It's also safer and easier to install as an accent on tall walls—meaning property owners never have to worry about stones falling off the wall. And TandoStone will never break which means minimal waste on every project. tandobp.com



Rustoleum Zinsser Cover-Stain Primer

Cover-Stain Primer is the newest member of Rust-Oleum's Turbo Spray System. Designed to provide hiding power indoors and out, the product is developed to block stains, hide dark colors, prevent tannin bleed and seal exterior wood. It seals water, smoke and nicotine stains, sticks to all surfaces, and dries in just one hour, the company says. The high output tip sprays up to 10" wide and four times faster than traditional aerosols, according to Rustoleum. It is available in a mega-sized 26-ounce can for medium or large priming projects. rustoleum.com



New Generations Slate Metal Roofing

EDCO Products has introduced its latest roofing product, Generations Slate. This new panel combines the ArrowLine Slate Roofing panel with the company's advanced HD coating technology to produce an authentic slate appearance. Launching in early 2020, Generations Slate will be available in four high-definition colors. Manufactured with the strength of steel and a multilayered PVDF finish, Generations Slate is said to reduce energy bills without supporting mold and algae growth. Backed by a lifetime warranty. edcoproducts.com

Bosch Connected Control BCC50 Wi-Fi Thermostat

The new Bosch Connected Control BCC50 Wi-Fi Thermostat offers a 2.8" color screen with five illuminated touch buttons, a minimalistic design, and voice control via Amazon Alexa, or Google Assistant, enabled devices. Users can integrate smart home apps with the BCC50 to remotely turn their thermostats on and off, change the temperature, and review current conditions and settings. Alexa or Google will recognize the device by its name, which users can customize in the Bosch Connected Control smartphone app. They can also access intuitive functions such as app alerts, auto-on safety controls, and system air filter replacement reminders. The thermostat comes with a three-year limited warranty.

boschheatingandcooling.com



DEWALT updates 60V MAX tools

DEWALT has announced upgrades to three products that were part of the original DEWALT FLEXVOLT System, debuted in 2016. The new 60V MAX FLEXVOLT 7-1/4" Circular Saw; 60V MAX FLEXVOLT 4-1/2" - 6" Grinder (DCG418); and 60V MAX FLEXVOLT Reciprocating Saw (DCS389) each offer increased power versus their predecessors. The upgrades to these three tools mean that the Circular Saw is up to 47% more powerful than its predecessor. The Grinder is up to 30% more powerful than its predecessor, and the Reciprocating Saw is up to 19% more powerful than its predecessor. Each tool has received increased performance via new motors, new software, and new controls. In addition, each of these tools will be available as a kit with a 9.0Ah battery. **dewalt.com**



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Energy efficiency incentives continue to spark Congressional interest

BY KEVIN MCKENNEY

RECENTLY, Democrats on the House Ways & Means Committee released a bill containing clean energy tax incentives. The bill is known as the *Growing Renewable Energy and Efficiency Now (GREEN) Act*. The bill's sponsor, Rep. Mike Thompson (D-CA), stated that these provisions are an effort to address climate change and incentivize certain changes in the tax code to achieve that. NLBMDA has been analyzing this legislation and it contains several provisions that could affect the LBM industry.

The bill provides for enhanced and reformed energy efficiency incentives for items ranging from residential property (Section 25C), new homes (Section 45L), and commercial buildings (179D) to fuel cell electric vehicles under Section 30B and alternative vehicle refueling infrastructure under 30C, and other provisions.

Extension, increase, and modifications of nonbusiness energy property credit (25C)

The provision extends the 25C nonbusiness energy property credit to property placed in service by the end of 2024. The provision modifies and expands the credit, including by:

- Increasing the percentage of the credit for energy efficiency improvements from 10% of the cost to 15%.
- Increasing the lifetime cap on credits allowed under this section from \$500 to \$1,200 and restarting the lifetime limit beginning in 2020.
- Updating various standards and associated limits to reflect advances in energy efficiency and removing eligibility of roofs and advanced main air circulating fans.
- Expanding the credit to cover the costs of home energy audits, up to a maximum credit of \$150.

Residential energy efficient property (25D)

The provision extends the credit for the cost of qualified residential energy efficient property expenditures, including solar electric, solar water heating, fuel cell, small wind energy, and geothermal heat pumps. The provision extends the full 30% credit for eligible expenditures through the end of 2024. The credit then phases down to 26% in 2025 and 22% in 2026. The credit expires after the end of 2026. The provision also expands the definition of eligible property to include battery storage technology and energy efficient biomass fuel property.

Energy efficient commercial buildings deduction (179D)

The provision extends the 179D energy efficient commercial building deduction through 2024. Starting in 2020, the provision also updates and expands the deduction by increasing the maximum deduction from \$1.80 per square foot to \$3.00 per square foot (with corresponding increases for the partial deduction). It also changes this maximum from a lifetime cap to a three year cap.

The provision updates the eligibility requirements so that property must reduce associated energy costs by 30% or more in comparison to a building that meets the ASHRAE standards as of two years prior to the date of construction. Under the currently expired provision, property must reduce energy costs by 50% in comparison to the 2007 ASHRAE standard.

In the case of state or local government buildings, this provision removes the ability to allocate the deduction to the designer. Instead, the bill treats the governmental entity as having made a payment of tax equivalent to 10% of the value of the amount otherwise eligible for a deduction.

Extension, increase, and modifications of new energy efficient home credit (45L)

The provision extends the 45L new energy efficient home credit through 2024. Starting in 2020, the provision expands the maximum credit for eligible new energy efficient homes from \$2,000 to \$2,500 and makes eligible units with energy expenditures at least 15% below the expenditures of a comparable unit based on the 2018 International Energy Conservation Code standards. It also replaces the eligibility requirements for units eligible for the \$1,000 credit to correspond with the Energy Star Labeled Homes program.

Outlook

Because of the nature of this bill, this is not one that will move on its own and will require a larger bill to sail through. However, the timing, along with the fact that Democrats omitted any poison pill pay-fors, means that action on these provisions is possible in the near term. NLBMDA has supported these provisions in the past and works constantly with other stakeholders to ensure that the LBM industry remains an influential voice in Washington and tax policy and others. Stay tuned to NLBMDA's communications for the latest. ■



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

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AVOIDING THE TRIFECTA OF TAX TROUBLE

BY LEE RESNICK

IT'S A FACT that the vast majority of LBM business owners own life insurance. How they own their life insurance could mean lost taxes sometimes in the millions of dollars depending on the size of the policies. Many LBM business owners are under the impression that life insurance payouts are always tax free...not so fast.

Our previous *LBM Journal* articles and educational seminars we've presented to many LBM organizations have focused on business succession and estate planning, and we've also discussed the many potential problems surrounding life insurance.

Life insurance is supposed to be one of the last true tax-free assets available. And that statement would be both right AND wrong. Yes, contractually the growth of life insurance cash values and death benefits are tax free. However, if the policy ownership structure is incorrect, the death benefit—the largest piece of the life insurance pie—will absolutely be taxable.

Here are three common, yet avoidable, tax traps that LBM business owners often fall into.

1. PENSION PROTECTION ACT OF 2006: If an entity (corporation, LLC, partnership, etc) takes out an insurance policy on any employee, including the owner(s) of the company, an "Acknowledgement and Consent" form must be

signed by the proposed insured prior to the policy being issued in order to avoid the entire death benefit being subjected to income taxes. Yes, that's right the entire death benefit in this situation will be income taxable.

If the policy has a death benefit of \$5 million, as an example, more than \$1 million will be lost to taxes simply because a basic form wasn't signed. As a point of reference, many insurance companies do not include the Acknowledgement and Consent form with their standard application packages, so do not assume that one may have been signed. In addition, IRS Form 8925 is to be filed with the company's tax returns each year that the policy is in existence.

The bad news is that there is no "do over" if an Acknowledgement and Consent form wasn't signed prior to policy issue. The IRS will not accept a signed form at a later date. The only choices at that point are to keep the policy and have a taxable death benefit or scrap the policies and start new.

2. THREE PARTY CONTRACTS: A three party contract comes into play when a business owns a policy on an employee, many times the owner of the company, and the owner's spouse is named the policy beneficiary.



This constitutes a three party contract: party one is the company as owner of the policy, party two is the employee/owner as the insured, and party three is spouse as the named beneficiary. Depending on the size of the policy, hundreds of thousands and possibly millions of dollars will be paid in income taxes that could have easily been legally avoided. There are solutions to guard against this but it's critically important to work with specialists that understand both life insurance and tax law.

3. ESTATE INCLUSION: Life insurance often plays a very significant role in estate planning matters, specifically providing the needed liquid funds to satisfy taxes and other liquid obligations. Estate taxes come due nine months after the date of death and there are various ways to pay the tax bill in addition to life insurance. Other examples include using cash from the estate, borrowing the money or selling illiquid assets.

As an example, if a business owner owes \$10 million in estate taxes, the out-of-pocket cost to pay can be quite different. Of course, using cash will be dollar for dollar; however,

if the \$10 million needs to be borrowed, the cost will be \$10 million as well as interest payments until the loan is satisfied. If illiquid assets are sold in a fire sale situation, it's very unlikely to receive true value for the asset, which means the actual value of assets sold will be more than \$10 million in order to net \$10 million.

This brings us back to life insurance, the premiums paid to create a \$10 million death benefit are typically significantly less than the other options available. The life insurance strategy effectively "discounts" the \$10 million that is owed.

Great caution must be taken, however, to assure that the death benefit remains both income and estate tax free. If a policy is personally owned or the business owns the life insurance on a majority owner of the company, the entire death benefit will be added to the business owner's estate at death and be fully includable in the estate, thus becoming estate taxable. At the current 40% federal estate tax rate, after exemption, this will cause \$4 million owed in estate taxes that could have easily been avoided.

In summary, proceed carefully prior to implementation of life insurance in order to avoid the trifecta of tax trouble. It is never good when a supposedly tax-free asset becomes a heavy tax burden. ■

Lee Resnick is a partner in Resnick Associates, a nationally recognized business succession, estate planning and life insurance advisory and implementation firm with offices in Kansas City and Harrisburg, Penn. Lee works with many LBM-related co-ops and their individual business owner members across the U.S. Contact Lee at lee@resnickassoc.com or 913.681.5454.

Most home building in millennial areas, but pace lags rest of nation

THE MAJORITY OF single-family and multifamily housing production in the nation is occurring in counties with the greatest concentration of millennials. However, in a warning sign that the housing affordability crisis persists and more construction is needed, the pace of housing production in areas with the greatest concentration of millennials lags the rest of the nation, according to the latest quarterly National Association of Home Builders (NAHB) Home Building Geography Index (HBGI).

The third quarterly release of the HBGI sheds new light on the housing market by focusing on where millennials live. “Millennial counties” are defined as geographic areas where at least 26% of the population consists of this growing demographic group. These millennial counties are diverse, representing major metro areas including several California markets, Seattle, Portland, Boston, and Washington, D.C., as well as more rural counties in places such as Ohio, Kansas and Missouri.

The HBGI found that those counties with elevated millennial shares account for 62% of the entire U.S. population. These counties also account for 59% of single-family home building nationwide. “On the surface, these numbers look similar, but you would expect the single-family construction share to be higher in millennial intensive areas, which tend to feature greater amounts of household formation and population growth that require additional housing,” said NAHB Chief Economist Robert Dietz.

“The HBGI highlights the ongoing challenge of housing supply, particularly for younger households seeking affordable rental housing or attempting to gain a toe-hold on the homeownership ladder,” said NAHB Chairman Greg Ugalde. “While counties that have greater concentrations of

millennials are where most of the single-family and multifamily construction in the U.S. is occurring, those same areas have recently seen relatively weaker growth rates for home construction.”

“The new NAHB HBGI data shows two consecutive quarters of declines for single-family construction in counties with larger numbers of millennials, the very areas that most need additional home construction,” said Dietz. “These localities are more acutely affected by supply-side constraints due to the greater demand for inventory resulting from the relatively younger population that resides there.”

Meanwhile, multifamily construction in millennial counties—which accounts for 80% of all apartment activity nationwide—picked up in the third quarter, though the improved growth rate was slower than the nationwide pace. “The outsized concentration of multifamily construction in areas with a large proportion of millennials is not a surprise, but it is also a reminder of the mismatch between housing wants and housing availability that is challenging the for-sale market,” Dietz noted.

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

► OTHER FINDINGS IN THE THIRD QUARTER HBGI:

- Growth in single-family construction was insufficient to keep pace with demand in the third quarter of 2019, continuing along a weaker trend due to the housing downturn from last year.
- Apartment construction is leveling off nationally but spreading out geographically, as multifamily building showed some gains in less densely populated areas, such as small towns and rural counties.
- Apartment construction in large metro core and large metro suburban areas rebounded in the third quarter, reflecting the highest growth rates in these regions in two years.
- Weakness in manufacturing areas continues to limit home construction. Manufacturing counties’ share of multifamily home construction decreased by 0.5 percentage points to 6.3%, while single-family construction declined at a faster rate in such areas compared to non-manufacturing areas.
- A slow shift of single-family construction from close-in suburbs to exurban locations continues due to land and lot availability and cost. This market environment, made worse by inefficient zoning practices and regulatory burdens, will continue to create a mismatch between where housing demand is growing and where housing supply can be affordably realized. ■





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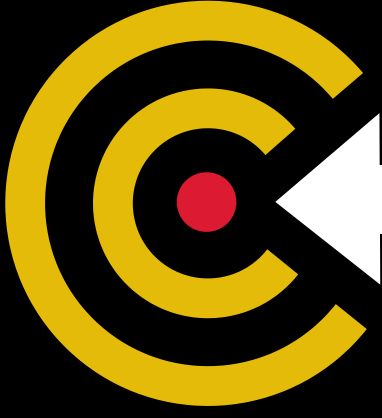
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Henry Company – Fortifiber	47	800.773.4777	henry.com/residential-and-light-commercial/
Huber Engineered Woods	2-3	732.549.8600	huber.com
LBM Century Club	29		lbmjournals.com/century
LMC (Lumbermens Merchandising Corporation)	37	800.218.0043	lmc.net
* Manufacturers Reserve Supply	BB, 9	973.373.1881	mrslumber.com
Maze Nails	27	800.435.5959	mazenails.com
MFM Building Products Corp.	19	800.882.7663	mfm-bp.com
* Mid-State Lumber	13	800.942.7776	midstatelumber.com
Pennsylvania Lumbermens Mutual Insurance Company	IFC-1	800.752.1895	plmins.com
Resnick Associates	55	913.681.5454	
* Rollex Corp.	9	800.251.3300	rollex.com
* RoyOMartin	9	800.299.5174	royomartin.com
Simpson Strong-Tie	5	800.999.5099	strongtie.com
Starwood Rafters	41	888.525.5878	starwoodrafters.com
Tamlyn	25	800.334.1676	tamlyn.com
UPG	6	801.784.8744	upg.org

*Denotes regional distribution.

Note: last-minute changes will affect the accuracy of this listing.

IBC=inside back cover, IFC=inside front cover, OBC=outside back cover,

BB=belly band, INS=insert, PB=polybagged, WP=white paper

THE COPYRIGHT CONUNDRUM

A PHOTO THAT INADVERTENTLY MADE IT ONTO YOUR WEBSITE HAS TURNED INTO A CHOICE BETWEEN A \$3,000 PAYOFF OR A COPYRIGHT LAWSUIT. WHAT WOULD YOU DO?

As the owner of an LBM company with nearly 100 years of serving its market, you and your business have seen a lot of changes and overcome a lot of challenges. Typically, when there's been a disagreement with a vendor or customer, you're able to work it through with a solution that all can live with. You've recently encountered someone whom you strongly disagree with—and you're not sure how to proceed.

Here's the situation: though you don't do any e-commerce yet, you're a strong believer in having a solid web presence for your company. Since you and your team are experts in building materials, not websites, you've secured the services of a well-respected and very able web developer. Last summer, after months of work, your company unveiled a new website packed with information about your company, your products, your services, and more. The response from existing customers was overwhelmingly positive ("I've been buying from you for years, and I just learned about some of the services you offer from your website!"). And, to your delight, the new site also introduced a new set of customers to your store ("I'd driven by and seen your sign, but had no idea what your company does. As long as your prices are reasonable, you're my new lumberyard!").

The new site also resulted in an email from a photographer claiming that you used one of his photos without permission. After looking into it, he was right: there was a photo of your city that he took, and that somehow ended up on your site. Your web developer and your people all know the importance of copyrights, and you learned that image was never supposed to go live—it was intended only as a temporary placeholder. However, that image was never replaced.

You instructed your team to immediately take the image down from your site, and you apologized to the photographer, explaining what happened. "The fact remains that you used my copyrighted image without permission," he responded. "And I need to be compensated for my work."

"Of course you do, I wouldn't expect you to work for free," you replied. Since you'd recently paid a local professional photographer \$500 to do a half-day photo shoot at your yard, and since you wanted to make things right, you offered what you thought was a very generous \$500 for that one image. He countered with a demand for \$3,000. For one image.

When you responded that you didn't think that was reasonable, he replied that you violated his copyright, and from past experience, he knew exactly how much he could demand. When you talked with your attorney, he agreed

that \$3,000 seemed like extortion, and mapped out a plan to fight it. He also cautioned that if it does go to court, attorney fees alone would likely cost more than \$3,000.

While you believe that people must be paid a fair price for their work, you believe that this photographer is not being reasonable. You don't want to give in to what you see as extortion, but you're not sure you have the appetite for a lawsuit. What would you do?



► CAST YOUR VOTE ONLINE AT: LBMJOURNAL.COM

- **IGNORE IT.** In your view, you hurt no one. You took the photo down immediately, offered him a very generous \$500, and he refused. Ignore it, and see if he goes away.
- **PAY \$500.** Send him a check for \$500, along with a letter stating that this is what you pay for a half day with a pro photographer, so you think it's more than fair for his one photo.
- **PAY THE \$3,000.** It's not right, but he's got you right where he wants you. The quickest, and possibly least expensive, way to make this problem go away is to pay. Hold your nose and write the check.
- **GO TO COURT.** It may cost less to settle, but sometimes you have to stand firm. This is one of those times. If he thinks he can convince a court that one picture is worth \$3,000, you're ready to fight.

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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