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FEBRUARY 2020 \$10 U.S.

DEALER
OF THE YEAR 2020

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BATTLING A BIG COMPETITOR

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MOULDING & TRIM

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D - Other	\$1,806	\$2,153
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EW - Engineered Wood Prod...	\$7,319	\$6,141
MW - Millwork and Interior D...	\$7,225	\$8,610
WD - Window and Exterior D...	\$2,506	\$2,243
TOTALS	\$43,826	\$40,099

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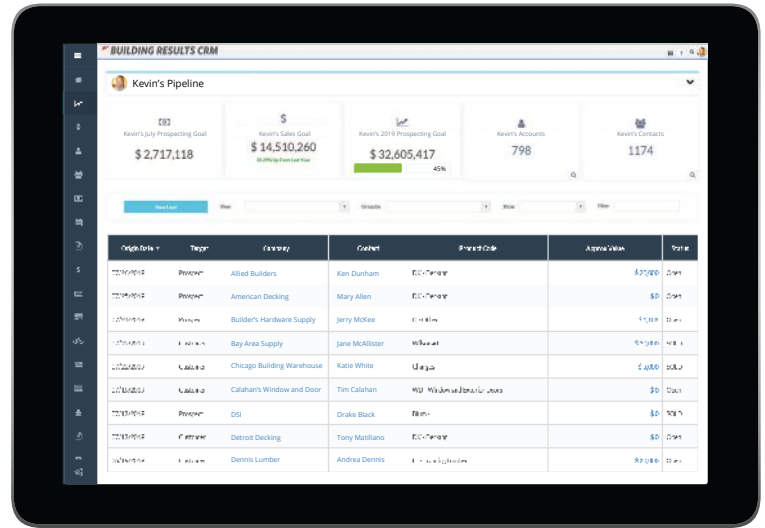




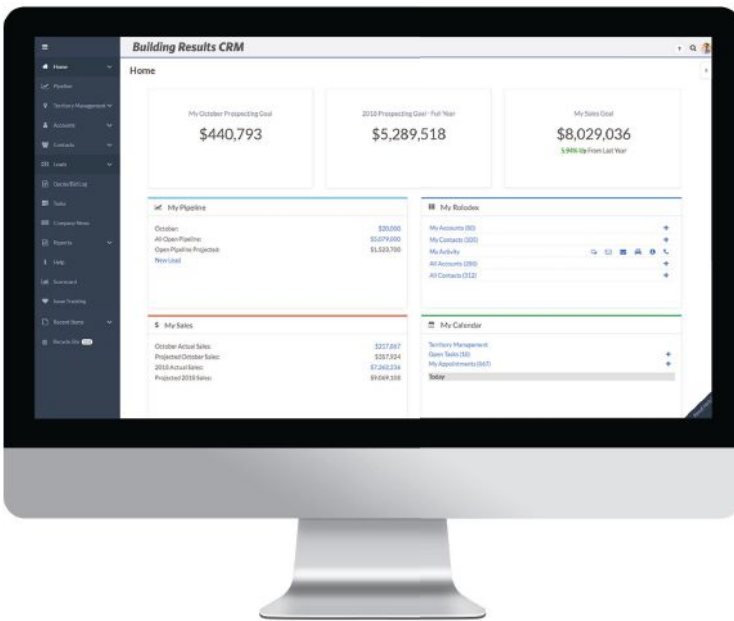
SALES MANAGERS

focus your team

- **Shared calendars** Review team members' calendars and tasks – coach reps to prioritize high-value items over busy work
- **Structure** Know your people are following a proven process for achieving predictable future results
- **Weekly activity report** Review logged activities and results – allows more focused and productive conversations
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A PASSION FOR BUILDING BETTER HOMES

Not only is custom homebuilder Wade Paquin excited to go to work every day, but he also brings his A-game to every job.



Wade Paquin has always had a deep-rooted passion for the construction industry. If you ask him, he'll even tell you that he was born with sawdust in his blood. It's that love for craftsmanship and hunger to solve challenges that drive him to create high-quality, long-lasting homes for his Rhode Island clientele.

"I grew up in the industry," Paquin said. "My dad is an incredible craftsman, and I've always been wowed by his abilities. As a teenager and through college, I did a lot of work with framing crews. It was very challenging and therefore attractive to me."

Today, Wade takes pride in owning his construction company, WKP Construction, and building truly custom spaces for his clients — many of which end up turning their Rhode Island summer homes into primary residences.

"When I finish a project and I stand and look back at it, I get goosebumps sometimes," Paquin said. "The problem-solving, the satisfaction, the hands-on aspect of it with that reward at the end are incredibly addicting to me."

That satisfaction and passion for the work are feelings Paquin hopes will continue to change the industry for the better.

"The problem-solving, the satisfaction, the hands-on aspect of it with that reward at the end are incredibly addicting to me."

Wade Paquin, Owner
WKP Construction

"Even in the last few years, our industry has taken major leaps forward with everybody elevating their game and paying more attention to detail, execution and building science," he continued.

Those details go hand in hand with the use of innovative products such as AdvanTech® subflooring, a product WKP Construction has been using for decades.

"The innovation behind AdvanTech® products and having access to a team who is passionate about the product they are putting out there are infectious," Paquin said. "For years, the construction industry has had a bad rap, but

the product innovation and attention to detail we're starting to see are a step in the right direction to rewrite the story of builders and contractors."

When it comes to the future of building, Wade is unsure of where things are headed, but he says his story is just getting started.

"I feel more inspired and motivated now than I ever have," Paquin said.

For a behind-the-scenes look at how Wade Paquin and others live out passion for quality construction, [watch the BRING YOUR A-GAME™ video series at AdvanTechAGame.com](https://www.advantech.com/bring-your-a-game).



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

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Off and running

AS I WRITE THIS, the *LBM Journal* team just returned from the International Builders Show (IBS) in Las Vegas. Lots of things have changed during my 30 years (!) working in this industry. One that hasn't, however, is IBS as a bellwether for what to expect from the coming year. In the early 2000s, for example, residential remodeling and construction were white-hot—a fact borne out by the packed-to-capacity aisles and exhibits. A decade later, not surprisingly, things were significantly quieter, as the industry was in full reboot mode after the Great Recession. IBS 2020 was a standout because the atmosphere was neither overly frenetic nor wait-and-see. Instead, it had what I can only describe as a sustainably healthy, positive energy.

Which makes sense. After all, builder confidence is at its highest point this century, and those economists who aren't pounding the drum about an impending recession are talking about pent-up demand for homes. The underlying message: builders, dealers, distributors and manufacturers had best be set to deliver.

Here's what we know today. We know that people need housing. We know that attitudes and preferences toward housing are changing. We know that there's tremendous demand for entry level homes. We know that energy-efficiency, longevity and sustainability are expected by homeowners across the board.

In my view, today's realities represent very real opportunities for everyone in the LBM industry. The question is, are you and your team prepared to meet the challenges that these opportunities represent? Are actively engaged with builders, remodelers and homeowners in your market—and are you listening to what they want from you? Are you and your team tracking with changes in building codes, the latest trends in materials, and advances in technology that make your company easier to do business with?

Those are tough questions, and it's okay if you don't answer yes to all of them. The important thing is that you be aware of the changing dynamics that will determine how successful your company will be at the end of this year and ten years from now. And that you act on this intelligence to arm your team with the tools and training that they need to outperform the competition.

Bottom line: these are exciting times to be in the construction supply business. In this issue, and in everything we do, your team at *LBM Journal* is committed to working with you to embrace the challenges and make the most of the opportunities. By the way, none of this happens without the advertisers in the magazine, our website, the LBM Daily email newsletter, and the sponsors of our live events. Those companies are invested in your success, and they deserve your consideration. ■



Rick@LBMJournal.com

EDITOR'S INBOX

DON'T OVERLOOK THE VALUE OF BABY BOOMERS

I often look to magazines such as yours to help me stay current on new trends, new ideas regarding the business I have spent a lifetime enjoying and providing for my family. Much has changed in my 45-plus years having worked for four dealers in my market area for spans of 15, 22, 3, and going on 6 years at my current place of employment. I have often referred to my career as going from the young kid who didn't know to the old guy no one cares to ask.

Sadly, the younger generation wants to do it their way. Management refuses to allow those of us willing to train to do so. Reading this article "Real Issues. Real Answers: Boomer Brian Drain" (Nov./Dec. 2019) explains much of my frustration. Comments like "It's a good thing the few remaining baby boomers are retiring," "Baby Boomers resist change and can't comprehend newer technology," and "Be careful you do not allow the old way to be trained into your newer employees," are hard comments to read. All these might be valid points, but if you have a vault of experience, do you lock the door and toss away the combination? There is value in that experience one cannot purchase or pay a consultant to gain.

Skills are learned. Skills are acquired over time and effort. One cannot possibly walk into a sales position and know all there is to know and, more importantly, what questions need to be asked. Failure to seek the knowledge of the old guy or gal is a mistake. Grumpy we may be, but this business has hardened our souls and made us the seasoned old timers we are with the ability to see beyond the obvious and recognize a trap when one is being set for us.

A recent young employee with our firm who has left and now sells furniture had a consistent answer for his mistakes: "It's not my fault. No one trained me to do this." I had told him over and over that I would help him if he asked. Yes, we fail when we don't train new employees, and we set people up for failure if we practice sink-or-swim

training exercises. But, my challenge to the younger generation is this: If you are lucky enough to have one of those grumpy old Boomers in your office, ask him or her a few questions along the way. You might get a funny story about what happened 20 years ago, but keep in mind he remembers it for a reason and most likely he avoided that trap the next time. I am thankful for those who willingly mentored this old salesman who just didn't know what he didn't know back in the day.

—Signed,
Proud Baby Boomer

Mark King, sales representative
Valley Fir & Redwood Co., Inc.
Midland, Ga.

CUSTOM HOME BUILDING ANNUAL SHARE DECLINES

According to data from the Census Bureau's Survey of Construction, the custom home building share declined to 19.5% of all single-family homes started in 2018—lowest since mid-2000. Contractor-built or owner-built houses—that together make up the custom home building market—are built one at a time for owner occupancy on owner's land with either the owner or a builder acting as the general contractor. The alternative is homes built for sale, on the builder's land, with the intention of selling the house and land in one transaction.

While the percent share of custom homes slightly declined from 20.3% in 2017 to 19.5% in 2018, the number of custom homes started in 2018 was 172,000, the same as in 2017.

NEW HOME SALES END 2019 UP 10%

Sales of newly built, single-family homes declined 0.4% to a seasonally adjusted annual rate of 694,000 units in December, coming off a downward revision in November, according to newly released data by the U.S. Department of Housing and Urban Development and the U.S. Census Bureau. The monthly new home sales number is 23% higher than the December 2018 pace. An estimated 681,000 new homes were sold in 2019, 10.3% higher than in 2018.

"High levels of home builder confidence, coupled with an insufficient existing housing supply to meet current demand, suggest growth ahead for new home sales this year," said NAHB Chairman Dean Mon.

"Despite the slow start for housing in 2019, lower mortgage interest rates accelerated new home sales during the second half of the year, marking it as the best year for new home sales since the recession," said NAHB Chief Economist Robert Dietz.

A new home sale occurs when a sales contract is signed or a deposit is accepted. The home can be in any stage of construction: not yet started, under construction or completed. In addition to adjusting for seasonal effects, the December reading of 694,000 units is the number of homes that would sell if this pace continued for the next 12 months.

Inventory has been trending lower over the course of 2019 and now stands at a healthy 5.7 months' supply, with 327,000 new single-family homes for sale. Of that total, just 78,000 are completed, ready to occupy. The median sales price was \$331,400. The median price of a new home sale a year earlier was \$329,700.

Regionally, and on a year-to-date basis, new home sales are 10.1% higher in the Midwest and 31% higher in the West. Sales are down 11.8% in the Northeast and 15.4% in the South.

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UPDATES

PEOPLE

Nate Jorgensen will be CEO at **Boise Cascade**. He replaces **Tom Corrick**, who will retire from his roles as CEO and director after nearly 37 years. In other announcements, **Rob Johnson** has been promoted to vice president of EWP sales and marketing; **Chris Seymour** is vice president of manufacturing operations, wood products; and **Jeff Strom** has been promoted to vice president & general manager, Eastern region, building materials distribution.

Do it Best Corp. has announced the promotion of **Scott Kinkella** to regional sales manager.

Timothy D. Parker has been appointed vice president of **Fortress Wood Products**, a division of **The Lester Group**.

Orgill's current president, **Boyden Moore**, has stepped into the role of president and CEO, while Orgill's current CEO and chairman, **Ron Beal**, will remain as the company's chairman of the board. Long-term Orgill senior executive **Byrne Whitehead** will continue in his role as the board's vice chairman; **Randy Williams** has been promoted to EVP, distribution; **John Sieggreen** is now EVP, retail; **Greg Stine** has been promoted to EVP, marketing and communications.

Builders FirstSource has announced that CEO **Chad Crow** has decided to retire after 20 years with the company. Crow will retire during 2020 after assisting the board of directors in hiring his replacement.

Professional Builders Supply has hired **Trae McElheny** as its Charleston market president.

Glenn Coffee has joined **Fortress Building Products** as director of channel sales retail and e-commerce.

Biewer Trading has named **Sam Bacon** as the company's new general manager.

The AZEK Company, parent corporation to manufacturing companies **AZEK Building Products**, **Versatex**, **Scranton Products**, and **Vycom**, has appointed **Michelle Kasson** as chief information officer.



JORGENSEN



KINKELLA



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CROW



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STRONG GROWTH FOR HOUSING STARTS PREDICTED FOR 2020

Single-family starts should continue on a gradual, upward trajectory in 2020, fueled by solid job growth and low mortgage rates that will keep demand firm, according to economists speaking at the International Builders' Show in Las Vegas.

"Low resale inventory, favorable mortgage rates, historically low unemployment and accelerating wage growth are driving builder sentiment and point to single-family production gains in 2020," said NAHB Chief Economist Robert Dietz. "At the same time, builders are still underbuilding as they continue to struggle with rising construction costs stemming from excessive regulations, a chronic shortage of workers and a lack of buildable lots."

Indeed, a recent NAHB report examining the last 10 years of home building found that on a population-adjusted basis, single-family starts in the 2010s operated at about half the pace of the uniform decadal rate that prevailed in the 1980s, 1990s and 2000s. This degree of underbuilding and supportive monetary policy conditions indicate that home construction will expand in 2020.

BUILDER CONFIDENCE DIPS SLIGHTLY IN JANUARY

Builder confidence in the market for newly-built single-family homes edged one point lower to 75 in January, according to the latest National Association of Home Builders/Wells Fargo Housing Market Index (HMI). The last two monthly readings mark the highest sentiment levels since July of 1999.

"Low interest rates and a healthy labor market combined with a need for additional inventory is setting the stage for further home building gains in 2020," said NAHB Chairman Greg Ugalde.

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

The HMI index charting traffic of prospective buyers increased one point to 58, the highest level since December 2017. The gauge measuring current sales conditions fell three points to 81 and the component measuring sales expectations in the next six months held steady at 79.

Looking at the three-month moving averages for regional HMI scores, the Northeast rose one point to 62, the Midwest increased three points to 66 and the West moved one point higher to 84. The South remained unchanged at 76.

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UPDATES

IN MEMORIAM

Former **Do it Best** executive **Ned Wolf** passed away on Dec. 13, 2019, at age 88, nearly three months to the day after his brother, **Don Wolf**, passed. Ned Wolf was with HWI and Do it Best for 47 years, retiring in 1995 as the company's VP of purchasing.

ASSOCIATIONS

MaterialsXChange, an electronic marketplace for buying and selling raw materials, and **Hyster-Yale Group**, a manufacturer of lift trucks and parts, have joined **NLBMDA's** Manufacturers and Services Council.

The North American Wholesale Lumber Association has announced that the 2020 Mulrooney Award will be granted to **Jim Robbins Sr.**, former president and owner of Robbins Lumber, Inc. located in Searsmont, Maine.

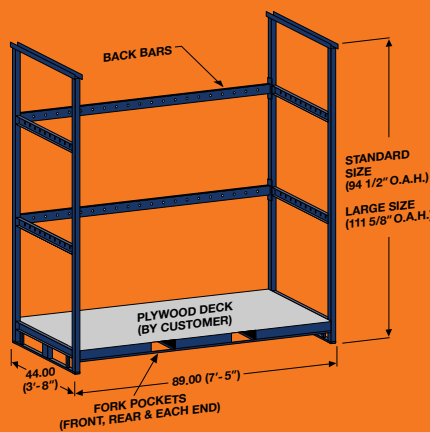
EVENTS

- FEB 24-26** LBM Advantage Annual Convention, Orlando, FL • lbmadvantage.com
- FEB 27-28** Northwestern Building Products Expo - South, Council Bluffs, IA • nlassn.org
- FEB 27-29** Orgill Spring Dealer Market, Orlando, FL • orgill.com
- MAR 4-6** LMC Annual Meeting, Nashville, TN • lmc.net
- MAR 11** IDEAS Show 2020, King of Prussia, PA • ideasshow.org
- MAR 12-13** MBSA Member Summit & Annual Meeting, South Bend, IN • thembsa.org
- MAR 23-25** NLBMDA Spring Meeting & Legislative Conference, Washington, D.C. dealer.org
- APR 6-8** LAT Convention & Expo, Frisco, TX • lat.org
- MAY 5-7** National Hardware Show, Las Vegas • nationalhardwareshow.com
- AUG 27-29** Orgill Fall Market, Las Vegas • orgill.com
- SEP 1-30** Free registration for NAHB's International Builders Show (to be held Feb. 9-11, 2021, Orlando).
- SEP 11-14** Do it Best Fall Market, Indianapolis, IN • doitbestonline.com
- SEP 16-18** FBMA Convention and Gulf Atlantic Building Products Expo, Orlando, FL fbma.org
- SEP 23-25** LBM Strategies Conference 2020, Boston, MA • lbmstrategies.com
- SEP 26-28** True Value Fall Reunion, Philadelphia, PA • truevaluecompany.com

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UPDATES

DISTRIBUTION

PrimeSource is now distributing **Envision** decking in the Denver and Seattle areas.

Manufacturers Reserve Supply is now offering the full **Benjamin Obdyke** product line to the mid-Atlantic market.

INDUSTRY

Pennsylvania Lumbermens Mutual Insurance Company, the largest mutual insurer dedicated to wood-related businesses, is celebrating its 125th year in business in 2020.

Huber Engineered Woods has announced plans to establish operations in Dillon County, South Carolina. The company's \$30 million investment is projected to create 30 new jobs in the area.

Beacon's 40 brands across the U.S. and Canada that sell exterior products will now be named **Beacon Building Products**.

A total of 46 leaders from 33 companies attended the **LMC Executive Education Program** that took place January 13-17 at the University of Pennsylvania.

Universal Forest Products, Inc. has completed the reorganization of its operations and is now operating as **UFP Industries**.

Kodiak Building Partners has announced the name change of its company, **Kansas City Truss**, to **Premier Building Supply of Kansas City**.

Milwaukee Tool announced plans for a new manufacturing plant in West Bend, Wisconsin.

MERGERS & ACQUISITIONS

Builders FirstSource has purchased the assets of **Bianchi & Company, Inc.**, a millwork supplier and installer located in Charlotte, North Carolina.

ABC Supply has acquired **Badger Building Supply Inc.** in Milwaukee. The acquisition will be integrated into ABC Supply's West Milwaukee branch. ABC Supply also acquired **Midwest Wholesale Materials Co.**, in Madison, Wisconsin.

Cameron Ashley has acquired **J&R Products**, a Bluffton, Indiana-based distributor of specialty accessories and small tool products.

GPS Insight has acquired **ServiceBridge**, a field service management software company for small businesses and franchises.

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

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TOUGH CALL ANSWERS

ANSWERS TO OUR NOV./DEC. TOUGH CALL SURVEY:

THE POACHING PROBLEM

A BIG BUILDER CUSTOMER HAS POACHED TWO OF YOUR TOP PEOPLE TO WORK FOR HIM. HERE'S HOW READERS WOULD HANDLE THIS TOUGH CALL.



YOUR VOTES ONLINE AT LBMJOURNAL.COM

- 2.5%** **FIGHT BACK.** You know plenty of other builders looking for good people. Encourage them to consider offering positions to some of Wily's top people, and see how he likes it.
- 37.2%** **STAY THE COURSE.** There's more to a job than the size of the paycheck. Once your former team members realize all that they've given up, it's likely that they'll be back.
- 3.5%** **FIRE WILY.** Tell Wily that you can't afford to continue to supply him, and explain that his existing orders will be fulfilled, but new ones won't be accepted.
- 56.8%** **DOUBLE DOWN.** Since you can't compete with the pay Wily is offering, redouble your efforts on what you can control. Ask your employees how to improve the workplace...then do it.

READER'S RESPONSE

I'm a long-time reader of *LBM Journal*, and someone who, with about 20 years of experience in our market, has been poached away before. I wanted to email in and state that I chose to Stay the Course, but I was torn in between Stay the Course and Double Down.

I was poached away by another industry but still in the customer service side. At first I loved the new challenge and really enjoyed the pay increase. But after a few months I started to realize the reason why my new company was struggling to keep good employees and had to resort in large pay offerings to recruit new help.

It didn't take too long, but I found my way back at my old job, and I was lucky enough that they welcomed me back.

So I would say that any business that is going through this situation should just continue on the path that you have created. Clearly you have a great business that your employees enjoy being a part of. But maybe think about creating new opportunities for your employees to gain more money, or reward them with extra time off.

After all, since we fall in the 90% + that have to work to live, we should be lucky to find a company that we can look forward to going in to daily. If your company has been lucky enough to avoid the hiring struggles so far, then maybe you are doing things right.

Josh Jordan, Jordan's Building Center
Wheat Ridge, Colorado

NAHB ANNOUNCES BEST OF IBS WINNERS AT 2020 INTERNATIONAL BUILDERS' SHOW

The National Association of Home Builders (NAHB) named the winning products in its eighth annual Best of IBS Awards during the NAHB International Builders' Show in Las Vegas. The awards were presented during a ceremony on the final day of the show.

This year's Best of IBS Awards received more than 350 entries. Decided by a panel of 28 independent judges made up of attending reporters and building professionals, the awards were given in nine categories, plus an overall Best in Show award.

Awards were given to exhibitors with a product or line that shows the best combination of design, functionality and innovation, as well as its usefulness to consumers and/or home builders.



THE WINNERS ARE:

Best in Show Winner:

Engenuity Micro-CHP by Engenuity Power Systems

Best Energy Efficient Product:

Engenuity Micro-CHP by Engenuity Power Systems

Best Green Building Product:

AeroBarrier by AeroBarrier

Best Home Technology Product:

Engenuity Micro-CHP by Engenuity Power Systems

Best Indoor Product:

Marvin Skycove by Marvin

Best Kitchen & Bath Product:

MASST by Atlas Granite, Inc.

Best Outdoor Product:

The Outdoor Living Experience by Somfy, StruXure Outdoor and Phantom Screens

Best Window & Door Product:

Marvin Skylight by Marvin

Most Innovative Building Material:

2810HR Joist Reinforcer by Metwood Building Solutions

Most Innovative Construction Tool:

BILT 3D Intelligent Instructions by BILT Incorporated

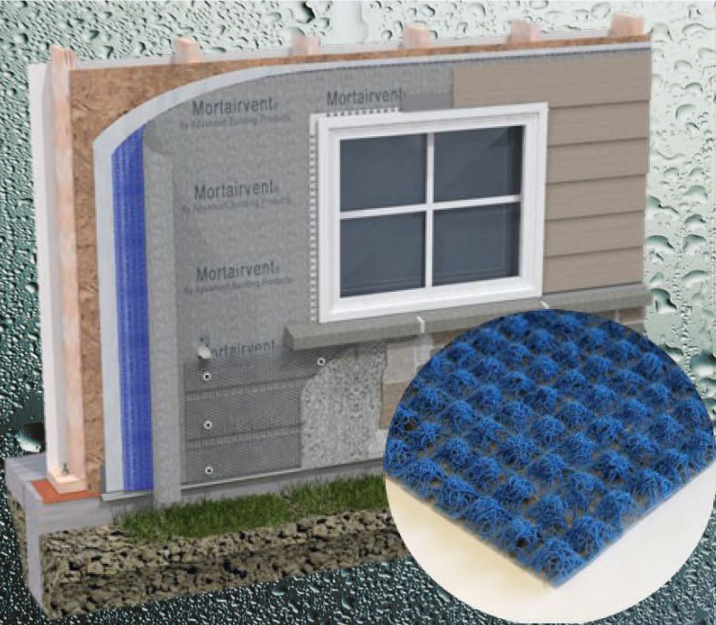


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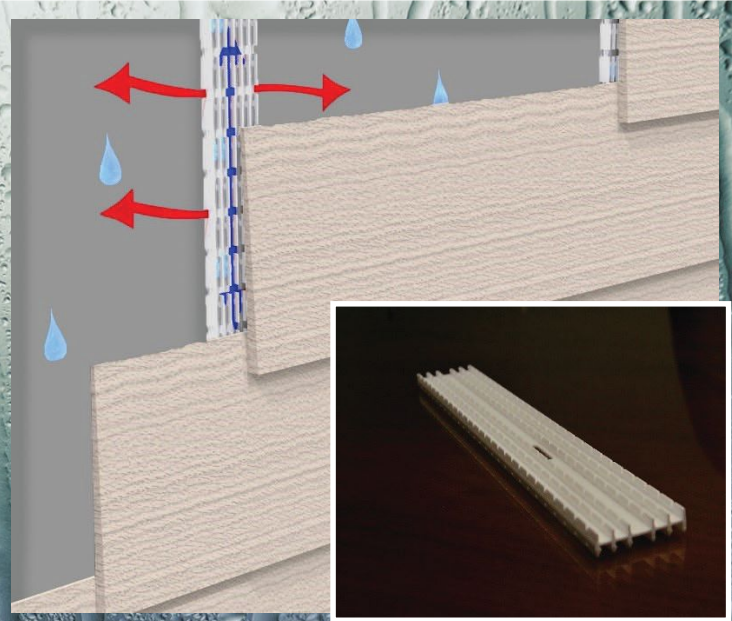
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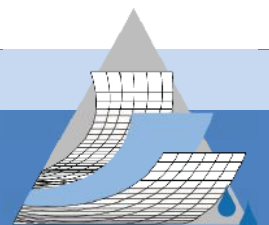
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NEWS FROM LUMBERYARDS
AROUND THE COUNTRY



WALSHAK



KREMPIN

WALSHAK APPOINTED DIRECTOR OF MARKETING AT MCCOY'S

McCoy's Building Supply has announced the promotion of **Jessica Walshak** to director of marketing and advertising. Walshak, a graduate of Texas A&M University with a degree in communication, began her McCoy's career in 2013 working in customer communications and store event planning.

KREMPIN NAMED MANAGER OF CORSICANA MCCOY'S BUILDING SUPPLY

McCoy's Building Supply has announced the appointment of **Clay Krempin** as store manager of its Corsicana, Texas location. Krempin joined McCoy's in 2013 serving as assistant manager for the company's Taylor, Texas, store for three years and in Bastrop, Texas, for four years. During that time, he enrolled in and completed McCoy's Management Development Program.

BLIFFERT LUMBER & HARDWARE DELIVERS TO FIGHT BREAST CANCER

Bliffert Lumber & Hardware has added a new delivery truck sporting a pink paint job to support Susan G. Komen Wisconsin, a local nonprofit dedicated to bringing an end to breast cancer. The company will donate 20 cents for every mile driven by the pink truck in 2020.

BARTON SUPPLY RECEIVES AURORA, COLO. BUSINESS AWARD

Barton Supply is the recipient of the 2019 City of Aurora Business Award. Since 2005, the city of Aurora, Colorado has acknowledged businesses in the community that have contributed to the city's economic vitality. Barton started in 1973 with four family members. Over the years, they grew the business from \$16 million to over \$100 million in sales revenue.

SPAHN & ROSE ACQUIRES MOELLER & WALTER

Spahn & Rose Lumber Co. has reached an agreement to purchase Moeller & Walter, a full-service building design and materials store in Reinbeck, Iowa.

HINES SUPPLY NAMED CHICAGO-AREA TOP WORKPLACE

Hines Supply has been named one of the *Chicago Tribune's* 2019 Top Workplaces. Founded in 1892, Hines Supply now operates multiple locations throughout Illinois, providing specialty building products, such as lumber, roofing, siding, millwork, cabinets and decking, to professional builders and remodelers in Chicagoland and across Illinois, lower Wisconsin and northern Indiana. Hines' operations and services include building materials delivery and distribution, custom wall panel, roof and floor truss manufacturing, and kitchen and bath design.

R.K. MILES ACQUIRES ALLEN LUMBER OF VERMONT

r.k. Miles, Inc., a third-generation, family-owned business with locations in Vermont and Massachusetts, has announced that the company will be acquiring Allen Lumber, Inc. with locations in Barre, Montpelier, Waitsfield, and St. Johnsbury, Vermont.

IOWA'S WOODFORD LUMBER RELOCATING

Woodford Lumber & Home in Clear Lake, Iowa is moving into a former Superior Lumber location. The former Superior Lumber property includes more than three acres and nearly 26,000 square feet in commercial buildings.

DEALERS, GOT NEWS?

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

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ELECTRICAL CORDS CAN BE SUCH A DRAG.

What kind of boss are you?

BY BILL LEE

JUST A FEW WEEKS AGO, my high school graduating class held a reunion. I grew up in a really small town, so we had a relatively small graduating class of just 80 students. This was only our second class reunion, so it was especially nice to see a lot of people who I had not seen for many years.

Since leaving my old classmates in Georgia and driving back to my current home in South Carolina, I have done a lot of thinking about the kinds of things we talked about when we were together at dinner and during the time we all had to catch up. The one topic we all seemed to enjoy the most was a debate about which teachers we liked and which ones we respected the most.

There was one teacher we all had in the eighth grade who we all seemed to remember with mixed emotions. There was one particular remark about this teacher that I must have heard a dozen times: "He was the toughest and most demanding teacher I had during my 12 years of school, but looking back on it, he was also the best teacher I ever had."

Think about these words, *"he was tough and demanding, but he was also the best teacher I ever had."*

Looking back on the years you have spent in the workplace, who would you say was the best boss you ever had and why?

IF YOU ARE A MANAGER, IF YOU HAVE PEOPLE WHO REPORT TO YOU, WHAT WILL THEY SAY ABOUT YOU WHEN SOMEONE, SOMEDAY ORGANIZES A REUNION FOR EVERYONE WHO USED TO WORK TOGETHER BACK IN 2020?

If anyone were to ask me this question, there's no doubt who I would name, and much like my favorite teacher, my favorite boss was

a person who was extremely tough on me. He never allowed me to get away with being mediocre. He held my feet to the fire. He did everything in his power to make me as productive as I was capable of being.

Great bosses, like great teachers, seem to invariably love you enough and like you enough to bring out the best in you. Great teachers and great bosses hold your feet to the fire and are never satisfied with you until they are convinced that you are giving the best you have to give.

My best boss, the boss who day-in and day-out got the most out of me, wasn't trying to be my best friend. He wasn't striving to make sure the hours and the days he spent with me were fun. He had one thing in mind and that one thing was to teach me to be a high achiever. His goal was to teach me how to be as conscientious and as results-oriented as I could possibly be.

When you think back on your high school teachers, do you remember most fondly those teachers who let you practically get away with murder, or those who cared enough to risk not being liked in order to fulfill the greater purpose of teaching, to see to it that you would one day be as good as you could be?

If you are a manager, if you have people who report to you, what will they say about you when someone, someday organizes a reunion for everyone who used to work together back in 2020?

If you are like me, you'll want them to say you were the best manager they ever had at motivating them, at

not allowing bumps in the road to stop you, but to get the job done in spite of the obstacles that are bound to crop up from time to time. ■



Bill Lee is a respected sales and business consultant in the LBM industry. For more information, contact Bill at leeresourcesinc@gmail.com

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Stop making selling hard

BY RICK DAVIS

SELLING DOESN'T HAVE TO BE so difficult. The advantage of being an LBM sales representative is that you sell products customers need and are guaranteed to buy. The job is half done for you. You don't have to convince people to buy, but only need to persuade them to buy from you, a process that is one part competence and two parts timing.

Let's begin with a vital premise that very few industry professionals dispute, specifically that buyers choose a new supplier when something goes wrong with the existing one. Buyers of building materials are creatures of habit who buy from the same people and companies because it is profitable to do so. Changing suppliers with regularity costs money. It means taking time to learn new ordering procedures, dealing with an additional creditor, and meeting a new staff of vendor representatives. It also means venturing into the unknown. In short, changing suppliers is risky and costly.

Pesky and impatient salespeople "hunting" for the sale often discover they are relegated to the status of a professional bidder because they want instant results. Salespeople who are "farmers" plant seeds of growth by recognizing the best way to gain a new customer is to be the first choice buyers make when dissatisfied with an existing supplier. This creates a series of sales beliefs I have valued for years and know will help you.

1. Buyers will take your price to get rid of you. The problem for most salespeople is the failure to withhold pricing. Salespeople mistake a willingness to take a price as a sign of interest. It is often the opposite. It is a sign the buyer wants to get rid of you and earns the bonus of having a price to use as a negotiation weapon with an existing supplier.

My advice: Withhold your price until you have established a quality dialogue about a future relationship. It's okay to pass on a request for a bid that takes time to prepare and instead use that time to find a better opportunity.

2. The dialogue should be about profit, not price. Buyers will never do your job for you by telling you that the price is only one component of doing business. Efficient deliveries, service, and accuracy are the aspects of the interaction that save buyers money. Competitive advantages like brand recognition, marketing support, and sales ideas are aspects of the relationship you offer to help your clients elevate pricing and profits.

My advice: Understand the larger business challenges your buyers face. Take time to discuss construction processes and marketing strategies. The more you know about your customers, the more you can help without using price as leverage to earn business.

3. Be the first choice when the timing is right. We live in the generation of online reviews and social media. The old saying asserted it wasn't what you knew, but who you knew. Today it is about being known. It's not who you know; it's who knows you. Position yourself as the person the buyer calls when something goes wrong with their existing supplier.

My advice: Plan a sales journey that includes at least two interactions before you deliver your first price. Establish your credentials as a supplier who raises profits rather than a low-price bidder.

I often hear the term "consultative sales" tossed around as a punch line by the same people who lament frustration with price-only buyers. The key to success is to slow the process and control the image you project and the value-add you personally deliver. Presume that your price is always identical and then ask yourself what you are personally doing tangibly to make your offer better than all the other alternatives in the market.

Don't make it so difficult because the job is half done. You don't have to sell the buyer on the idea of buying your product, but only in persuading them to choose you when the time is right for them to make a change. ■



Rick Davis, president of Building Leaders, is a premier sales trainer in the building materials industry. His latest book, *Sales Economics: The Science of Selling*, is now available at buildingleaders.com. Rick can be reached at rickdavis@buildingleaders.com



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Beginning tools for e-commerce

BY BOB HEIDENREICH

MANY OF US in the LBM industry are either former builders or are familiar enough with the building trades to know that you can't build anything worthwhile without the proper tools. That includes websites. As you get your company set up to start selling products online, you'll want to make sure you're starting out with the proper tools.

The main tool you'll need is what the industry refers to as your website platform. Think of it as setting up a retail store, and you have to decide how you're going to display your products. Are you going to make it from scratch using a community edition software, or are you going to buy one that's complete that comes preset with a lot of updates available? In that latter situation, you'll pay a monthly fee for the service.

Other software may be free, but you'll have to do a lot of legwork, such as find a host. The challenge is you'll have to know enough about how that software works to be able to do it well enough on your own. Of course, with that comes the assumption of security risk. You'd best be sure that you or someone on your payroll is certain they know what they're doing when it comes to security against credit card breaches and other forms of hacking.

You also can't underestimate the scope of your website setup. Not only do you want secure transactions, you have to ensure the server you choose is able to handle many transactions simultaneously.

Of course, you'll need your domain name or names registered, and that normally encompasses your email addresses. Don't forget also that you may need more phone numbers. You're no longer going to be a local company. With a website, you're a national or even international retailer. You might want to consider a 1-800 number that comes in for your staff to answer exclusively online retail questions.

Likely you'll want to go with a packaged service when you purchase your domain name that will help get your servers set up and configured. Most lumber dealers I've spoken to just aren't confident that they have the initial knowledge to set it up on their own. There's

nothing wrong with that at all, but you should know that if you buy a packaged service, they'll set up your servers and configure them, but it's a more expensive way to get started. Basically, you're trading your money for their time and server space. Still, even with the cost, it's a good way to get into e-commerce without having a lot of experience or staff on hand to help.

Even when you purchase a package, a lot of the setup doesn't happen by itself. You'll need to be familiar with Search Engine Optimization (SEO) and Search Engine Marketing (SEM). It's one thing to have a website. Now that you've got one and it's on a server, people have to find it. For that to happen you have to show up in search engines. Of course, the best one is Google. In order for you to show up in Google, you have to get your site ranked. Google doesn't just put you on the first page of results unless you do a lot of things right. Google wants you to publish content on your site that is relevant to what people are searching for.

You're going to need to have other software tools to help support your new website. Probably the most predominant is Excel. You'll have to import and export data to manage your pricing and, so on. You also may want to use a photo editing software, as you'll need to size images correctly. Photoshop is probably the best known of that group.

As you start working on your website, you'll want to learn how to use tools such as paid searches. Be cautioned, that there are a lot of scams out there that will promise first page ranking on Google for free. I can almost guarantee that any service offering that is a scam.

You'll need to remember that it's going to take time to build your website. It's not going to happen in a weekend, or a month, and it might even be a year before you start to get some search results through organic Google search ranking.

Remember, you're starting from scratch. You're learning the tools and you're building your business. It's brand new, kind of like building a new store while also working on getting customers in the door. ■



Bob Heidenreich, owner of The Deck Store and thedeckstoreonline.com in Apple Valley, Minn., has been selling decking and home improvement projects for nearly 40 years. Follow Bob on Twitter: @TheDeckStore

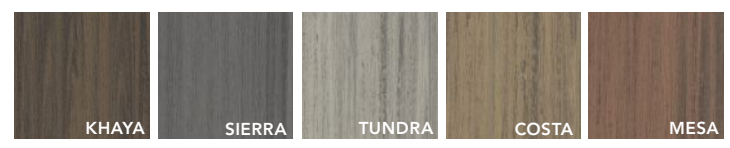


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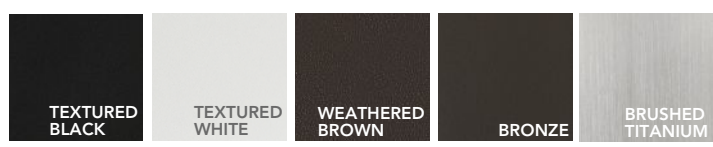
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Stop hiring order-takers

BY RIKKA BRANDON

ONE of the most common reasons companies decide to invest in a recruiting partner is because they're not getting the results they want and need from their sales teams. This is especially common with well-established and proven businesses. It's easy for sales reps and sales managers to become complacent and allow a culture of order-taking.

If you truly want to grow your business, you need salespeople who do more than just make quotas, but who think strategically, execute effectively, problem-solve quickly, and identify and present solutions for customers' pain points. You need to build a sales team of hunters and farmers—not of mere order-takers. And that process starts at the hiring stage.

The most successful salespeople offer a combination of hunter and farming traits, but it is almost always heavily weighted to one or the other. When hiring, focus on the skills they'll be using more than half the time.

Hunters are the reps who are always cold-calling, dropping in on jobsites; they are "hunting" for new customers to develop. They're great at getting doors open, listening for pain points, and presenting solutions that exceed the status quo (the status quo, of course, being the biggest objection/obstacle in sales!).

Farmers are the consummate relationship builders. They can take a \$10K account to a \$1 million account if the business is there. They are also great at listening to and identifying pain points their customers have and seeing solutions (and additional revenue).

Well-established businesses often need a farmer, but they think they need a hunter. So, really consider your business needs before you decide what you need.

► RECRUITING AND HIRING HUNTERS:

- Look for keywords like "prospecting," "cold-calling," "opening accounts," "business development," and "open new accounts" (or territories).
- Look for strong success indicators, such as growing territory from \$500K to \$5 million in four years, increasing from 22 accounts

to 88 accounts, or developing \$300K in new product revenue in the first six months

- Expect them to be expensive. Hunters are very good at something that is very much in demand.
- Expect them to have high expectations. They will want to be confident your organization can keep up with them. They don't want to sell a ton and then have the service be abysmal, damaging their credibility.
- Expect them to be gainfully employed. These are the people who can move the needle to open new territories, new product lines, new services, and more. Companies work hard to keep successful hunters happy.

► RECRUITING AND HIRING FARMERS:

- Look for keywords like "account manager," "account representative," or "client manager."
- Look for indicators of success, such as growing an account from \$1.5 million to \$3 million in 18 months, growing product share from 8% to 72% of an account's business, or growing an account from servicing at a local to a regional level.
- Expect them to be expensive. They likely will cost less than hunters, but good salespeople are usually well-compensated.
- Expect them to be hard to recruit. Farmers are more loyal to their customers and employers and often only become available because of a change in the businesses' position or in their personal life.
- Expect them to have a LOT of questions about your customer service and what you think "making it right" means in regards to their customers.

Both hunters and farmers CAN be successfully recruited and hired. But they will require more time and effort than simply posting a job ad. You'll need to network, nurture, and follow up with them.

To get the level of talent you want to hire, it's very likely you'll need to be much more intentional and proactive, and dedicated to the work. ■



Rikka Brandon, a recruiter in the LBM industry since 2001, is a building products recruiter with Building Gurus. Reach her at rikka@buildinggurus.com

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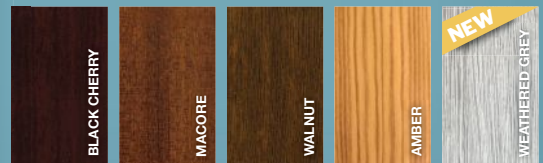
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Making the ordinary extraordinary

BY RUSS KATHREIN

WHEN CHALLENGED by others about why customers buy from our respective companies, many of us will fall into the trap of saying things such as “Because of our great service,” or “We sell only high-quality products.” If you say this to a business consultant, he or she will most likely tell you that those things are already expected by the customer and then challenge you to find another reason why you are better and a customer should buy from you. This is a good exercise that sometimes can help you identify unique advantages or opportunities. However, some businesses struggle trying to find that sexy or inspiring thing that really makes their company stand out from the crowd. How do you make a customer want to buy from a company that just delivers them building materials?

Maybe you can entice a customer to buy from you because of your customer service, but you better put something special into it and make it extraordinary. Take an industry we all hate for their poor customer service: the airlines. From my road warrior days, I flew almost a million miles on both United and Delta; I also logged many trips on American, Alaska, and many other airlines that have since disappeared.

Nowadays, I will still fly those airlines if I have to, but when I have a choice, I fly Southwest. I choose SWA because it is consistent with its product and dependable (which I can't say about its competitors), but most of all, I fly Southwest because its employees are extraordinary. It is the only airline that gives its employees the latitude to have fun on the job by singing the safety briefing or getting on the PA and saying “Whoa, I say whoa, boy,” as the plane is landing and braking to a stop. It is the only airline that has ever had a flight attendant drop off a drink at my seat without my asking for one.

When I asked her why she did such a nice thing, she replied, “You looked like you were having the kind of day where you could use one.” Upon talking with her more, I found out that her whole crew had arrived late at the last turn and missed their opportunity to get a meal. Discovering this allowed me to repay her kind gesture by going into the overhead compartment, breaking out the fresh case of

White Castle burgers I was bringing home to surprise my family, and feeding the whole crew. What customer does that for a vendor? One who finds the employees of that vendor to be extraordinary.

If you are selling a product that is a generic commodity, or something that is easily duplicated, how do you make your product stand out as high quality? Have you ever bought an Apple product and noticed its packaging? Apple even delivers the Apple credit card in the same white elegant box, even though it is just a credit card. The well-branded packaging creates the perception of something that is unique and better than the competition.

How did McDonald's become so big, when people often rate its food as only OK when it comes to taste? Many people will tell you that, while traveling, they often make their meal stops at McDonald's because they know that McDonald's will always have a clean bathroom to use. They also know that the food quality will be consistent, no matter which McDonald's they visit. It's hard to win over new customers by being consistently good, but it sure helps you keep customers.

What would your service offering look like if you examined it with this attention to detail and made continuous incremental improvements?

What kind of things have people done for you, sent to you, or given you that stand out in your memory? Do you walk around your operation, looking at it through your customers' eyes or as if you have never been there before? Consistency, attention to details, and thoughtfulness will not only make you stand out in your customers' minds, but they will tell other people about you, which is the best kind of marketing. When I first introduced myself to my managers, I told them I could judge their operation based on four areas: the back forty (where they hide mistakes), behind the service counter, the manager's office, and the bathroom. To this day, when I am out visiting stores, word gets out in advance, but somehow is simplified to, “Russ is coming, you better get your bathrooms cleaned!” I guess that is my cross to bear, but as long as it works.... ■



Russ Kathrein is the president and CEO of Aurora, Ill.-based Alexander Lumber, which operates 12 locations throughout Illinois, Wisconsin and Iowa. He is also chair-elect of the National Lumber & Building Material Dealers Association. Reach Russ at russ.kathrein@alexlbr.com



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Do you get a check for inventory at closing?

BY JOHN WAGNER

I CAN'T TELL YOU how many company sellers wrongly calculate the dollar value of inventory when they are tallying up their company's worth. Usually, when our firm has an initial conversation with a seller, the seller tells us their EBITDA, which is the basis for the company's valuation. (In almost all cases, companies are purchased as a multiple of EBITDA, as I have written of extensively in this space.) The conversation usually goes something like this. Seller: "We had a \$2 million EBITDA in our last fiscal year. I know that companies like ours are being acquired for 5X EBITDA, so our company is probably worth 5X \$2 million, totaling \$10 million. I own the real estate, and I know that the buyer probably won't want the real estate, so let's get a triple-net lease set up."

So far, so good.

Then the conversation can go astray a bit if the seller adds the following: "I also want a check at close for the inventory. We just did a hard count, and it's going to be another \$2 million. So, I want \$12 million for the business, all in."

Well, not quite. You may get a check at the closing for a certain type of inventory, but it's the exception not the rule. Here's why.

First of all, look closely at our example of a business worth \$10 million, assuming the real estate is leased back to the acquirer. What exactly was purchased for that \$10 million? Just the brand, the rolling stock, and payroll obligations? Hardly. The acquirer can create brands and buy trucks for far less than \$10 million. The acquirer is actually buying the operation that drives the cash flow, and the inventory is the main feature of the business that drives the cash flow. So, you don't get an extra check at closing for your inventory if your quantities are within typical averages for your normal business cycle. In that case, the inventory value, when sold, is simply a factor in determining the EBITDA, which is the figure that's multiplied to determine the value of the company.

That said, there is an exception to this rule.

Let's say that you, like many lumber and building material dealers, bulk up on certain items, far beyond your immediate need. Perhaps you buy dozens of truckloads of plywood at seasonal low pricing, or you see a deal on siding that you take advantage of, or an attractive rebate on roofing pops up. Of course, you're going to take advantage of this.

Shouldn't you get a check at close for this excess inventory? Not necessarily, *if* these product purchases and bulking up of inventory are done as normal course business each year. This kind of buying—even in large bulk—is just considered part of normal operations, and the value of the inventory will become evident in the working capital "PEG" calculation completed as part of the closing process.

The rule of thumb is that *grossly excess* inventory—clearly beyond what you buy for your normal business cycle—might be a credit to you at closing, or at least will be up for consideration. That needs to be discussed on a case-by-case basis between seller and acquirer.

The other rule of thumb you should be aware of is that there is a penalty for inventory *underage* at the closing as well. That underage would be revealed in the *working capital PEG*, which calculates how much working capital is required to run the business. The *working capital PEG* is based on the average of current assets and current liabilities over the previous trailing twelve months. As the seller moves toward the close, if there is a sell-off of inventories with no replacements (or steep discounting to generate cash), it would be reflected in lower inventories (current assets), and the seller may owe the acquirer a check to replenish the working capital for any shortfall *after* the close, in what's called a "true-up." True-ups typically happen 30-90 days post-close.

The key concept here is clear: Calculate your required inventory with a broad view in year-long increments, even longer, and carefully build a case if you believe some of the inventory is beyond what's typical for any given business cycle. ■



John Wagner is a managing director at 1stWest Mergers & Acquisitions, which offers a specialty practice in the LBM sector. Reach John at j.wagner@1stwestma.com

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What to do about personal guarantees on credit applications

BY THEA DUDLEY

Dear Thea,
What can you do when a potential customer refuses to sign the personal guarantee on your credit application? My company requires it and I lose sales because of it. I may as well quit since I am going to starve here.

— Tapped Out in Texas

Dear Tapped Out,
 Ready to give up so soon? I thought Texas sales reps were tougher than that. You are, quite frankly, sounding like you are all hat and no cattle. You're in sales for heaven's sake! You guys are used to hearing no and coming back with a smile and a plan, and a smile and a plan, and so on until you crack that nut and get that sale. You are like the shampoo bottle directions but instead of "wash, rinse, repeat," it's, "smile, plan, repeat." Remember that old toy, Weebles? The slogan was "Weebles wobble but they don't fall down." Sales reps are like that—you wobble, but you don't fall. How many analogies do I have to use here before you get the picture?

I am assuming that since you are coming to me, your credit manager is not offering you any solutions. Or is it that you haven't asked her for options? Either way, let's give you some suggestions so that you can get back on that horse and see if you can rope you some sales.

Since you mentioned that your company requires a personal guarantee (PG), let's keep this awkwardness going by asking if EVERY account that is opened at your company has a PG tied to it. It is extremely unusual, and not all that practical, to make it a "must have" for every account. So, I have to ask, is it just the accounts you are bringing to the table, or does each and every account that is opened, has been opened, or is going to be opened, have a PG?

If it is EVERY account, no exceptions, then by all means let me apologize for my aggressive mocking of your lack of tenacity and offer to edit your résumé and wish you well on your

job search. You may indeed be correct and will starve. Although there are many who are willing to sign a PG, there are just as many who are not.

If your company has made exceptions and has accounts that were opened with no PG attached to the sacred document, then they're saying there's a chance. You have to start asking questions—in a non-accusatory kind of way. No one likes to feel attacked, so dial it back and pitch a few softball questions at your credit manager.

Find out what was unique about the accounts that were not required to have PGs. What type of accounts were they? A national account (big box type), FOB (friend of the boss), is the account grandfathered in? What are the circumstances around the free pass?

Once you know what the background is, you have an opening to move your requests forward. Sit down with your credit manager and go over the opportunity. If she is immovable and you feel strongly, tell her you respect her opinion but you are taking it up the food chain. Invite her to go with you, make a field trip out of it.

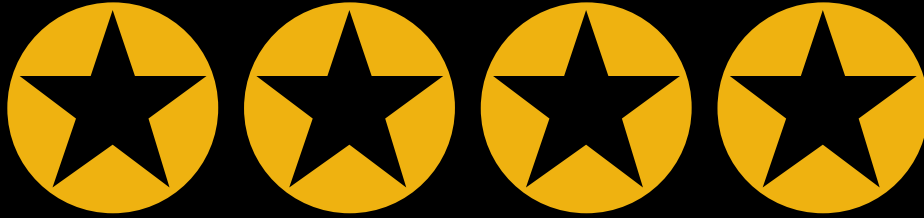
After taking your walk on the wild side and presenting your case, you are going to be able to take the temperature of the situation and find out exactly where this (possibly) hard and fast rule is coming from.

The flip side, that I eluded to, might be you. Do you bring nothing but questionable characters to the table? Are you shopping for your customers in the parking lot of your local big box store? Are you working hard to find every potential next bad debt write-off out there? What is your reputation with the credit department? If you brought me nothing but crap-on-a-cracker accounts, I would make you get PG's too. Just sayin'.

I have given you a gift horse my friend; stop looking it in the mouth. Throw a saddle on it, ride on up and get your answers. ■



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: \$50-\$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.

GILLMAN HOME CENTER

GROWTH FROM THE GROUND UP

BY JAMES ANDERSON

Most successful LBM dealers exhibit a certain amount of do-it-yourself fortitude. They've built and grown their business to be the best it can be in their markets. Few, however, have literally built their businesses like Charlie Gillman has. Nine of Gillman Home Center's 12 locations were built by Charlie and crew from the ground up. That DIY spirit is why his company is this year's LBM Journal Dealer of the Year in the category of sales between \$50 and \$100 million.

Starting his career as a building contractor back in 1980 helped Charlie gain the knowledge and experience necessary to grow one of the most successful building materials supply chains in the country, topping \$75 million in sales in 2019. When he opened his first home center in Batesville, Indiana in 1995, Charlie still kept working as a general contractor for another 15 years, further entrenching himself in the region's building industry. His experience as a successful builder helped bring in a whole new generation of builder customers to his Gillman Home Center locations.

"I was a successful builder, but I'm old now," he jokes. "Now I meet with a lot of builders one-on-one. I show them how to do bidding, how to run their finances. I share with them how to grow their business. I've got knowledge to share, and that has been very valuable for me."

Out of the building game for the most part these days, Gillman is in the process of transitioning the home center business to his son, Curtis. With his time freeing up, he is now developing lots for builders, an interest that further helps to solidify relationships with his builder customers.

"I develop property. If you want a lot, you'll get a good price and you'll buy your materials from us," he says.

BLUEPRINT FOR GROWTH

Gillman Home Center plans a 13th location this spring. The store will be another ground-up construction in which Charlie will serve as general contractor. Doing so will save about 20% on the construction costs, he says. The father and son team have perfected the process of building and opening a store. Since 2014 the company has opened six locations. The Gillmans have hit on a winning formula with Charlie overseeing the construction and once a location is built, handing it off to Curtis, who serves as the company's chief operating officer.

Starting with the 2014 construction of the Winchester, Indiana location, Curtis oversees the selection of products to stock at each store, and helps determine who to hire. Like his father, Curtis is a do-it-yourselfer.

"We do all our IT installations in-house," Curtis says. "Steven, our IT manager, was in a bad car accident about six weeks before opening day. He was ultimately okay, but it was a long road to recovery and there was no way he was going to do the computer and network setup in Winchester. IT consultants run about \$120 per hour plus mileage, hotel, and meals. I visited Steven at the hospital, and we came to the conclusion that he and I would team up to get it done. We networked the entire store—phones, security, POS, credit card machines, internet—by Steven walking me through it over the phone. Some days I spent over 6 hours just on the phone with him. We both got a great feeling of accomplishment from it, and it gave me a new appreciation not only for Steven's everyday job duties, but also for his dedication."

Curtis used their six existing stores as a template for what items to bring in, tweaking the selection as needed. ➤



The father and son team have hit on a winning formula of building and opening a store, with Charlie (left) overseeing the construction and once a new location is built, handing it off to Curtis, who serves as the company's chief operating officer.

Overall the company serves a customer base of about 60% professional builders and the remaining balance is retail DIY. They don't shy away from a focus on both.

"Weekends are very big for us," Charlie says of his company's availability to the DIY shopper. "We are only closed three days a year."

Once Curtis hires the right crew for a new location, he sends them to work at other Gillman stores for several weeks in advance of the grand opening to get them up to speed and able to deliver the kind of service customers have come to expect from Gillman Home Center. Their diligent efforts in preparing every phase of the store have paid off. Winchester rang up sales of \$4.3 million in 2018, marking a 37% increase since the opening.

They followed up their success in Winchester with another 15,000-square-foot, ground-up store in 2015, this time in New Castle. A lumberyard had gone out of business there recently, and the Gillmans saw that the 17,000 residents were now forced to leave town and drive up to 45 minutes to get building materials. With Charlie handling construction and Curtis preparing all aspects of the new store, they once more delivered a strong performance. Sales at New Castle reached \$6.9 million last year, a 21% increase since its opening.

Then a series of events brought about an unprecedented pace of expansion for Gillman Home Center. In September 2017, Gillman's opened another ground-up store, this time 60 miles northeast in Eaton, Ohio. Once again, Charlie built the store and Curtis oversaw merchandising along with the hiring and training of a whole new staff. They delivered another successful new store, with sales of \$4.5 million its first year.

With Gillman Home Center on a clear growth trajectory, people took notice and started bringing opportunities to them. Some owners without clear succession plans were faced with the choice of selling or closing their doors. These opportunities represented a departure from their normal mode of expansion. Instead of only building new stores, Gillman's growth strategy now branched out into acquisitions as well.

In November 2017—just two months after opening the Eaton store—Gillman's bought the oldest lumber company in Indiana, located 30 miles southeast in Aurora. The owners were looking to retire, and the Gillmans acquired the business and enhanced the technology and operations. They cleared out old inventory and modernized the store's product selection to bring it in line with other Gillman Home Center locations.



A family-owned business since 1995, Gillman Home Center employs about 300 people through the 12 locations, including a dozen outside sales reps and 11 home décor pros who handle inside sales of interior products, all contributing to 2019 annual revenues of \$77 million.



“WE MAKE SURE OUR SUCCESS IS BEATING OUR YEAR BEFORE. WE MEASURE OURSELVES AGAINST OURSELVES. WE’RE HIGHLY DRIVEN AS A COMPANY TO BE AS SUCCESSFUL AS WE CAN. EVERY YEAR, WE’RE DRIVEN TO GET BETTER.”

— CHARLIE GILLMAN

“When you build a ground-up store, everything is honestly much easier,” Curtis says. “We pick our inventory out and go with it. Buying an existing store presents more challenges because we have to deal with someone else’s inventory decisions. I have to bring their set of items in line with what we normally stock.”

In August 2018, they purchased two more stores 30 miles apart in Frankfort and Lebanon. Much like Aurora, Curtis worked to clean up the inventory and bring a more efficient and profitable way of retailing to the operation. The stores are already showing the benefits of Curtis’ retail expertise.

Gillman Home Center employs about 300 people through the 12 locations, including a dozen outside sales reps and 11 home décor pros who handle inside sales of interior products such as cabinets, and floorcovering, all contributing to 2019 annual revenues of \$77 million, a figure that has tripled in the past decade and doubled in the last five years. Same-store sales for Gillman Home Center locations were up 5.7% in 2019, and according to Charlie, sales have grown an average of 13% per year since the first location was built 25 years ago.

MEASURING SUCCESS

Steady, smart growth is what the Gillmans are after, Charlie says, each year setting out to do better than the year previous.

“We make sure our success is beating our year before. We measure ourselves against ourselves. We’re highly driven as a company to be as successful as we can. Every year, we’re driven to get better.”

There is no end in sight for year-over-year growth, Charlie adds. The company continues to be on the lookout for underserved communities in which to build new stores. As the company grows, so does the DIY spirit of Gillman Home Center.

Recently, the company opened its own auto repair shop and used car dealership, run by Charlie’s other son, Travis. With a fleet of more than 100 vehicles, Charlie was looking for a way to take on some of the repair and replacement responsibilities to help keep costs down. When a friend invited him to a used car auction, he turned that experience

into a used car lot of his own, so that he could attend and purchase from auctions, too.

“For the first few, we had just sold to ourselves,” he says. “Now we sell to the public and we’re making some money selling cars, but we’re also saving a fortune on vehicles for ourselves.”

In turn, if an employee is looking for a new vehicle, Charlie says he’ll take them to an auction and even finance the vehicle for them, an action that has contributed to increased employee loyalty.

And after he hired a mechanic to work on trucks, Charlie realized he could bring on a few more and service all the vehicles for the company.

“Now we have four mechanics and our own repair shop,” he says.

Charlie credits his entire team for reaching the success his company has achieved. At the core of that team is an office staff of 16 who are “the best in the industry,” he says, and they continue to get better.

“With them, and my son and me as owners, you won’t find people more driven to succeed,” he says. ■

GET TO KNOW GILLMAN HOME CENTER

FOUNDED:	1995
OWNERSHIP:	FAMILY
LOCATIONS:	12
EMPLOYEES:	300
SALES SOFTWARE:	ECI SPRUCE
PURCHASING GROUP/CO-OP:	DO IT BEST
TOP THREE BRANDS SOLD:	BLACK & DECKER / DEWALT MILWAUKEE ELECTRIC TOOL SHERWIN-WILLIAMS



Competition is nothing new. But in today's environment with widespread consolidation, competitors are often much bigger, better funded, and more sophisticated than ever before. This can create a number of challenges, including pricing pressures and attempts to lure your top people away. The question is: what's the best strategy when...

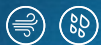
BATTLING A BIG COMPETITOR

BY LBM JOURNAL READERS

THIS MONTH'S QUESTION came from a dealer who's facing a challenge from an especially formidable competitor who just entered his market. As we do each month, we built a very short survey around his question, and sent it to LBM pros who have opted in to receive our email communications. A big thank you to the 250-plus readers who took time to weigh in on this three-question survey.

All of the questions for the Real Issues surveys come from dealers like you. Each survey includes an opportunity to share the business challenge that you're dealing with. If your challenge is selected for a Real Issues survey, you'll receive an *LBM Journal* prize pack (golf shirt, cap, mug, pen, and more). >

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QUESTION 1

First, we wanted to gauge the state of competition, so we asked, “In your view, is competition in your market growing, shrinking or staying the same?”

As the chart shows, the majority of respondents (52%) see competition as growing, and 44% believe it’s staying the same. The fact that just 4% report that competition is shrinking is very telling. When we talk about ours being a very competitive industry, these numbers hammer that reality home.

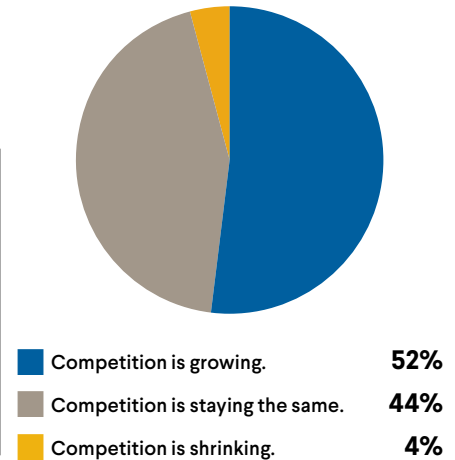
COMMENTS TO THIS QUESTION INCLUDED:

“The number of family-owned lumberyards is decreasing, specialty shops opening up (drywall, siding, kitchens, roofing, etc.) seems to be on the rise. With the advent of technology, competition and pressure on margins is greater than ever.”

“National dealers are increasing their footprint in our market.”

“More outside-of-the-area companies are getting aggressive with their pricing, and sending outside sales reps into our area.”

“As business slows in other geographic areas, they look outside their usual trading zone and enter our market, which is still quite strong.”



QUESTION 2

HOW WOULD YOU ADVISE THIS DEALER?

“A major competitor is expanding into our market, offering many of the same brands of building materials. This has created several issues, including losing some of our associates to the new competitor. As we see it, our big challenge is how to maintain and increase market share without major impact on our profit margins. How do others handle the disruption of a big competitor moving into their market?”

“Focus on what you do best: addressing the needs of your customers, especially in ways that a bigger competitor may not be able to or interested in doing.”

“Competition is a normal part of business. Competition will make your business better by making you focus on what you do best. Leverage your competitive advantage. You will also find out if you truly have a relationship with your customers.”

“Make sure that your people have the best products and equipment needed to do their job. Invest in them. Make sure that customer service is their number one priority.”

“Leverage the strong personal relationships you have with your customer base and the community.”

“Determine who your core customers are and snuggle closer to them by showing concern for their business and anticipating their needs. Better service and sincere appreciation should be helpful to keeping good customers.”

“Make sure you understand the competition’s weak spots, then leverage that knowledge to make their weaknesses your strengths. Stronger margins will follow.”

“Maintain great service and more importantly, great relationships with your customers. If any of these large competitors had everything from price, service, quality, figured out, they would have 100% market share. They’re not even close to that, and there are reasons why not. Your company should exploit those reasons to your benefit.”

“Remain faithful to, and expand upon, your unique company value proposition: Superior Service x Best Quality x Sensible Pricing x Dedicated Relationship Management = Success (and survival).”

“It takes a sales force that is positive and hard working. As an owner, I have to keep my employees happy and caring, especially the warehouse and delivery people. These employees deal directly with our customers much more than I do. They are the lifeblood of our company.”

“Depending which major competitor is coming into the market they will always beat you up with some loss leaders; however, when this happened to us last year, customers were quick to come back after 4 or 5 months because their customer service was non-existent.”

“First, take a look at your employee compensation and benefits and management effectiveness to determine why your associates left for the competition. In the meantime, stay in touch with those who left and make it known, assuming they were good employees, that they are welcome back if the grass wasn’t greener. Second, if this is a strong, well-financed competitor who has more to offer your customer base than just a lower price, then their push to gain a foothold in your market probably limits your ability to both increase share and maintain margins. It’s time, in the short run, to shore up relationships with your employees and customers and prepare to spend a little to fight off the challenge. It will be cheaper, in the long run, to keep your customers than to win them back. Finally, in the long run, seek to differentiate yourself from the new player. Competition is, after all, what makes us all better.”

“Identify what you do better than the competition and make sure your customers know what that is. If you don’t do anything better than your competition, find areas to concentrate on, become better in those areas and then let your customers know. Ask your existing customers why they buy from you. Ask customers that you’ve lost why they switched.”

“Ultimately, we’re more concerned with our team and our potential than with any one competitor. That being said, I think it comes down to your unique selling proposition. What makes you different. We’ve increased market share by diversifying products, adding value-added services like delivery, labor, new departments, and plan work. In our cases we’ve lost some customers initially with a new competitor, but we’ve stayed in contact, didn’t burn any bridges. We’ve gained back some. I’d encourage you to believe in your value.”

“We’ve battled them. If they go low, we match. Our overhead is small compared to theirs. They can’t survive on low margins forever. It is a battle of who can hold their breath underwater the longest.” ➤



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“Our prices are very much market based. I find that we can achieve acceptable margins by doing things the big guys don’t do. Like having consistent pricing. Job to job, our customers appreciate that we don’t creep margin. The big guys have much stricter margin requirements overall. They can be really aggressive but not for long. They end up with the transactional customers that only stay as long as the next lower price. Most of the large companies in our market are requiring their reps to increase margin while breaking into a tough market. Not the typical recipe for success. We target customers that are loyal, pay their bills and work hard to help them grow.”

“We have not had a major LBM competitor move in but have had several specialty players. Siding, roofing, drywall, window and door suppliers. These new competitors have made us look very closely at our sales personnel and inventory demands for these areas. We have not chosen to exit any of these but instead it has made us work harder in each with better trained teams and, in some cases, a broader inventory to compete. This has also made us look at the delivery process and improve efficacy to compete more effectively.”

“Step back and assess what makes you better and different than the competitor, then educate and communicate to internal and external customers about the differences as much as possible. If there aren’t discernible, valuable differences, look to long-term vendor relationships to assist with pricing/terms/turns to minimize the bottom-line damage as you find yourself having to lower some prices in the short-term. Long-term, figure out why and how you’re better and different...and quickly!”

“Contractor incentives, better service, trying to meet some of the contractor and customer needs that the large competitor does not.”

“Stay focused on out-performing them, and don’t fall prey to price-only quoting.”

“Try to differentiate yourself from the big competitor and champion your strengths, knowledgeable staff, better customer service, etc.”

“Go at them head-on.”

“It can be a very hard thing to contend with. The big competitor comes to town, makes a big splash, hires away help, buys business to gain immediate impact and market share, and you suffer in the short term. Fast forward a year and it can be a very different story. Big competitors have high corporate overhead, shiny new equipment to pay for, and generous compensation for all the ‘stolen employees’. They will be suffering from some pretty serious P&L pains when the honeymoon is over. Then they will raise prices, cut hours, cut pay, reduce previously ‘free’ services or start charging for them, and cut their bloated grand opening inventory to something more manageable. This can take 12-18 months to occur, and history has shown that more often than not it does occur. You need to stay positive in the face of this new competition, take care of the employees that you have, focus on taking care of your customers, and don’t be tempted to cut prices and margins to the bone to get business.”

“The only way to fight fire is with fire. Let your customers know that dealing with a smaller operation has many more advantages than dealing with the big box operation where you are nothing more than a number.”

“1. Review your compensation package, then identify your ‘must keep’ players on your team and make sure you are in line (or slightly higher) versus the competitor. 2. Highlight your services where you can outperform the new competitor: delivery equipment? special cutting? special order turn-around? Make sure you and your team are well-versed in things you can do that the competition can’t.”

“Don’t try to play their game. Be open with your customers and ask what else you could do for them. Do what you do and do it well.”

“Focus on customer service and quality, and margins will take care of themselves.”

“Simple. Provide better service throughout our operations.”

“Differentiate your business from the competitor. Promote those differences, tell them what you will do, how you will do it and when you will do it. Then do it!”

“Stay close to your customers. Loyalty has brought them to you, be honest with them and ask for honest feedback from them. What can we do better to keep them happy and content with us? Are you staying up with the market, with trends and education? What do you do that separates you from the rest? Price should not have to be sacrificed if you are truly doing your customer a service.”

“It might be too late for you. They’re already established, they’ve attracted your associates, they’re calling on your customers, and business is shifting in their direction. Others see the trend and will follow suit. In today’s ultra-competitive marketplace, your organization needs to be #1 *before* the competition moves in. #1 in all areas such as products offered, services offered, employee compensation, work environment, etc. If you are doing this, your customers are happy, and your employees are happy, you’ll continue to operate a sustainable business.”

“Concentrate on relationship, and focus on customers who understand and value your services. If you are losing team members, you need to address how you are taking care of your team. Some ship-jumpers leaving actually helps the team. Like anything else you need to know your place in the market and have a clear strategy on how you will grow and prosper.”

“By providing the level of service only a locally owned company can do. Know and take care of each of your customers and targets better than anyone else. Be there for them when they need you. Most importantly: do not start a price war that you cannot win.”

“The key differentiating factor is service. Specifically, today’s contractors are inundated with product options and overwhelmed by new building codes and practices. Factor in the labor shortage of experienced and skilled workers, contractors have had to defer more of their needs to the supplier. In order to earn and keep their business, a supplier must have a responsive and knowledgeable sales and operations staff and management that empowers employees to deliver exceptional customer service. If the aforementioned is attained, profit margins can be maintained and/or improved, provided that errors and redundancy are reduced and efficiency is increased.”

“Differentiate your products and services. If you don’t already, consider offering installed sales and other turnkey offerings.”

“First do the discovery needed to learn why your people are leaving you for the new competitor. Are they your top performers or bottom quartile? Depending on what you learn, decide whether you have the sales force, and other strategic assets that are necessary to maintain or increase market share.”

“While the competition will definitely impact business in the onset, most large scale competitors do not offer several key components our customers have come to appreciate such as, in-house charge accounts, diversity of product and sources, no cost to the customer delivery options, already competitive pricing structures and, most of all, real expertise from staff when ordering products. It would be foolish to think that you will not lose some market share, but ramping up your customer service will mitigate the impact.”

“You can do nothing about competition, it will always be there. The only thing you can manage is how you let it impact you.”

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FROM WHOLESALE DISTRIBUTORS:

“Analyze the effect of who you lost. Were they the 20% of salespeople that gave you 80% of your sales and profits, or ‘C & D’ salespeople who gave you 80% of your bad debt sales and losses? If it’s the top 20%, you need to consider a profit-sharing arrangement to hold onto such sales professionals. Regarding the product lines, also do a 20/80 Pareto analysis there, to see if this competition is really hurting you in your core inventory. If they are, get new manufacturers who will ‘partner’ with you. Start a ‘points’ reward system for customers who stay with you.”

“We try not to show fear and avoid the price war that is inevitable. We emphasize our long relationship and years of helping the customer with their profitable business. With that being said, we lose (usually short-term) customers who will try out the 800 lb. gorilla, only to realize they are just a number as opposed to a customer. There will be short-term pain. It can’t be avoided unless you get into a price war, then there is also long-term pain as your margins no longer support your business.”

“Adapt and differentiate. Find new products to sell and approach your personnel situation the same way. Competition can make you better.”

FROM MANUFACTURERS AND SERVICE PROVIDERS:

“Expect and plan to lose some market share in the short term. Take an in depth look at your company. What does it do/offer that sets it apart? Better service? Wider selection of items, both specialty and commodity? Better pricing? Longer hours? Sales and support staff that offer solutions and solve problems for your customers? If your customers are buying based on price alone, you’ll lose some. That is one weapon the big competitors have, and they tend to wield it mercilessly to grab market share. Analyze all systems and processes. Look for ways to decrease your costs. Look for additional or unique product lines your customers need and perhaps the competitor isn’t carrying. For the short term, it’s going to hurt. You recognize this already and that’s why you’re asking the question. Now it’s a matter of surviving through the short term and the market adjustment with the minimum amount of drama. Don’t give your existing customers a reason to test the waters. Focus on what you do better, faster, different than your new competition. Make this a company issue, down to the very last employee. Don’t discount what drivers, forklift operators, and clean up crews have to offer. Don’t pretend it’s not going to affect you. Be honest with employees about making changes to improve your efficiencies. Adjust your budgets and plan accordingly based on this new market dynamic.”

“All competitive situations are unique. Whether it is price, product, or service, one thing remains the same...the customer! My advice would be to focus all your efforts on the customer and less focus on what your competition is doing. It is important that you highlight all of the ‘extra’ things you do for the customer. Like the time you delivered one sheet of OSB 40 miles away to help them complete their job on time. We do these ‘extra’ things because we love the industry and our customers.”

“Remember the image of Red Coats marching in a line and American sharp shooters hiding in the woods. George Washington didn’t have to win a single battle. He only had to survive and keep his army together. Know what built you to this point. Get rid of anything not in that core business.”

“There is no way to keep competition from entering your market. When it does it is like the new girl on the block, all the guys are going to check her out. The best thing you can do is business as usual. Your loyal customers that you have taken care of for years are still going to shop with you. If you feel you need to look at your pricing strategy and service offerings, then do so. If not, leave it be. Make sure you haven’t become complacent.”

“Key in on your strengths with a positive attitude.”

“Stay true to who you are. Most big competitors have only one tool in their toolbox: pricing. Do not under any circumstance drop your prices to meet the competition or your customers will assume you have been overcharging them all along. Your pricing is reflective of your service and your margins are fair. In the short run, you will lose some sales but your customers will return.”

“Sit down with your staff and make a list of all of your strengths and then promote those strengths before and after the new competitor opens. Sometimes competition is good, by making you take a hard look at what you’re doing and how you’re doing it. Where and how can you improve what you buy and what you sell it for? Next study your competitor for weaknesses, then make sure you do those things better.”

“Focus your time and effort on solidifying key relationships with key internal team members as well as key builder partners. Don’t over-complicate things. People still buy from people. Those with the relationships will win the business.”

“Increase customer contact and emphasize your flexibility and ability to meet special needs.”

“Better customer service is the key. The big boys in our market are very dysfunctional and we can run circles around them when it comes to special orders, timely deliveries and dealing with general customer service issues.”

“Push vendors to make sure the new, bigger competitor isn’t buying better than you. With a level playing field, you can win this.”

“The major plan that this dealer must implement is to make sure that everyone in the organization, from the top down, knows and focuses on your company’s strengths. ‘Sell the difference’ between your company and its new competitor. The areas where your company excels (over the competitor) are varied and can encompass many different features and benefits to your customer, (i.e) price points, quicker deliveries, knowledge and service offered by your company’s customer service desk, etc. From gaining information on your competitor, which comes almost immediately after they enter any market, make yourself aware of their strengths and weaknesses. Adjust your game plan on how to compete accordingly. We’ve all faced this problem at one time or another. The percentage of those of us who’ve overcome this bump in the road and survived is staggering. Have confidence in yourself and your organization, and *sell the difference.*”

“Know who you are, and trust it. If you have been successful, push that envelope. It’s for the competition new to the market to exhaust assets to try to gain market share. Concentrate on your core customers and the products that make you the most return on investment. Service wins most battles.”

“Focus on being excellent at the small things, or builder segments that others do not want. This will result in higher margin opportunities with more dedicated customer retention.” ■

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To answer a demand for more sizes and options for milling, Boral now offers its TruExterior Trim in a 5/8" thickness. Made from a proprietary blend of polymers and fly ash, Boral states that TruExterior Trim provides a high level of dimensional stability along with durability for resistance to warping, cracking, and splitting. It 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. The trim comes pre-primed and ready to paint.

BY MIKE BERGER

MOULDING & TRIM

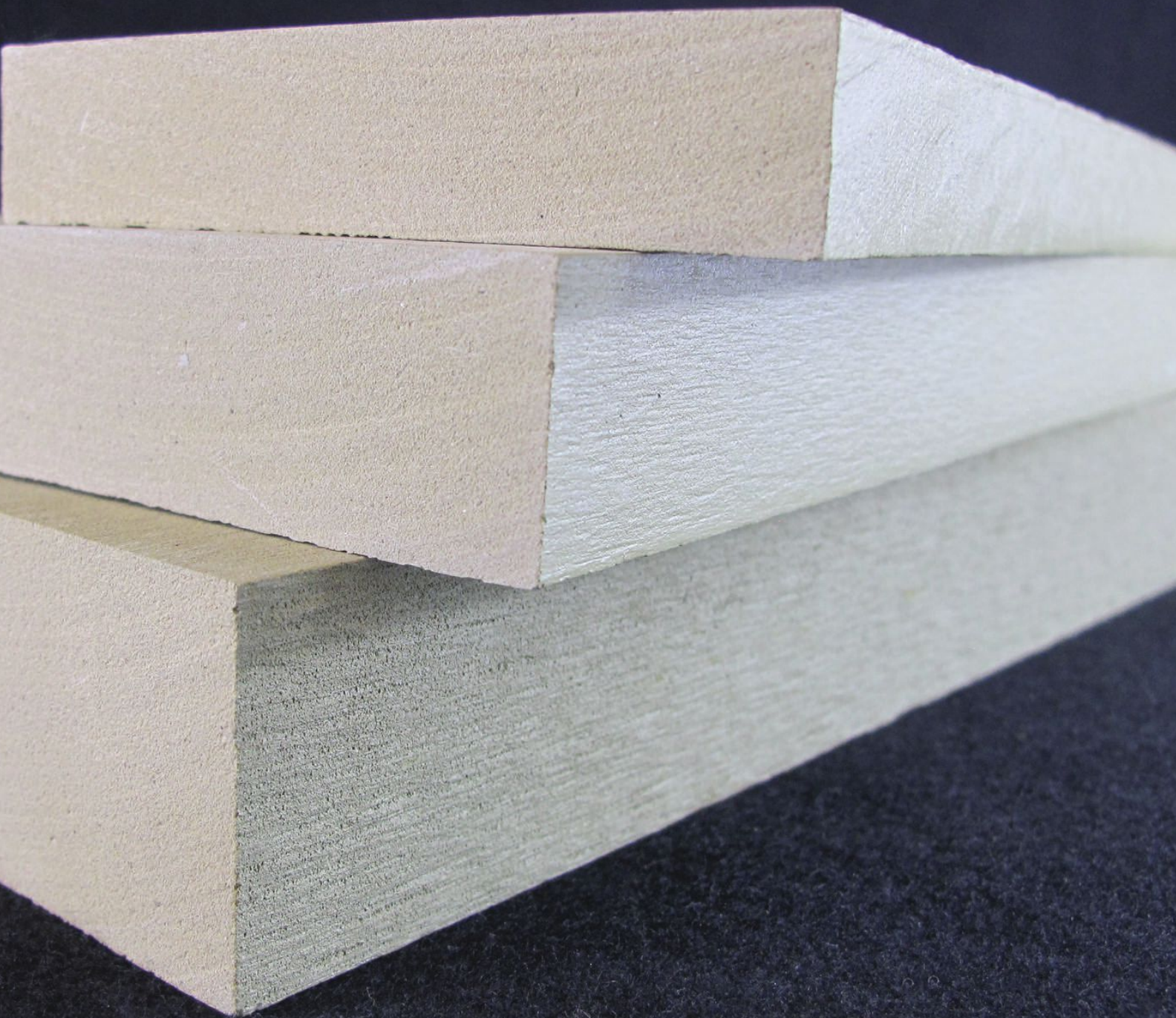
EVOLVING AESTHETICS AND PRODUCT LINES SIGNAL
A SHIFT TO SIMPLICITY AND DURABILITY.

MOULDING AND TRIM ARE NOTHING NEW. The ancient Greeks used wood mouldings to accent their buildings, as did the Romans who followed. During our own Colonial period, moulding and trim became so ornate that an entire industry arose, with craftsmen relying on such books as Andre-Jacob Roubo's 1769 publication, *The Art of Joinery*, a lavishly illustrated tome that featured rendered mouldings along with mathematical formulae for their construction.

Trimwork has come a long way since then, although its use is equally—if not more—prolific, with demand in excess of \$9 billion. And according to most industry experts, it's a demand that's not going to change in the near future. According to its recent "Moulding and Trim in the U.S." report, the Freedonia

Group predicts that gains will come from new housing completions, particularly in the South and West. When combined with a growing demand to replace aging or damaged products on existing homes, the future does indeed look bright.

"Homeowners are craving authenticity, and they also want their home to be unique," says Ben Drury, brand manager for Boral Building Products. Angie Kieta, repair and remodel market development manager for LP Building Solutions, agrees. "The most significant factor driving change in the trim market is the ability to create a 'wow factor' with minimal additional cost," she says. "With the availability of advanced materials in today's market, professionals are also looking for trim that is extremely durable."



It's that search for authenticity and product durability that is driving market growth. And while wood products have long been—and will remain—the leading moulding and trim material through 2022 (as the Freedonia Group reports), engineered wood, fiber cement and PVC moulding and trim are expected to record above average sales gains through 2022. As a result, dealers and distributors need to be ready to meet that growing demand.

A CHANGING AESTHETIC

As architectural styles and design aesthetics evolve, what was popular a mere 15 years ago is now looked on with disdain. While more ornamental profiles held sway during the early

2000s, those have given way to an aesthetic that embraces simplicity and clean lines. “The fastest growing trend in mill-work is Craftsman, also known as Modern Farmhouse design,” says Steve Booz, vice president of marketing for Royal Building Products. “Today’s interior designers favor the clean and simple Modern Farmhouse style, which includes the use of wide trim boards, shiplap or wall paneling on the interior, and moulding build-ups around doors and windows.”

Craig Vigliotta, general manager of specialty brands for BlueLinx, agrees with Booz’s comments. “We are also seeing the continued preference for Craftsman or Farmhouse style versus the more traditional Victorian, thus driving the industry away from the more ornate styles.” >

There is also a growing demand for wider trim widths. As LP's Kieta explains, "I've seen trim trending towards wider widths (6" or more). Builders are also adding more distinction to trim through integrating a top ledge and adding more definition to the opening by using different lengths (beyond the standard 4" on all four sides) to make the edges 'pop'."

And let's not forget color. Dark colors began a rise in popularity a few years back, and they are still on the cutting edge of exterior design. Whether it is a dark trim against a white siding or vice versa, the contrast of darks and whites remains in significant demand. "We continue to see demand for dark colors for both siding and trim—dark blues and grays, especially," says Boral's Drury.

But it's more than looks that's driving product trends; it's also how the product itself performs. According to the aforementioned report from the Freedonia Group, while wood will most likely remain the leading moulding and trim material through 2022, the

demand for synthetic and engineered materials will continue to rise, especially because of its low/no maintenance needs and its ability to mimic the look of wood.

"Residential builders and remodeling contractors have accepted, and many prefer, the use and look of PVC trim board," explains David Johnston, director of product marketing for Ply Gem, a division of Cornerstone Building Brands. "As darker siding colors continue to gain in popularity, white PVC trim not only saves labor, but also adds striking lines to darker sided homes. Now widely used on many home remodeling jobs, contractors appreciate the ease of use and clean look along with the wide variety of pre-milled profiles and styles to match the needs of the contractor and property owner."

DURABILITY MEANS EVERYTHING

While some of these aesthetic and material shifts can be attributed to the ever-changing nature of style and taste, other factors are at play that have had

significant impact on product development. Poor quality of wood, increasing material costs, lack of skilled labor, extreme weather events, and the growth of consumer knowledge (thanks in part to the availability of home improvement television shows and digital content) are all having an impact on the direction of product development. But perhaps the greatest driving factor is product durability.

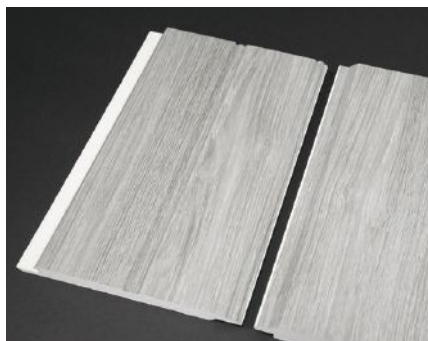
"PVC trim lasts much longer than traditional trim materials and it requires less maintenance over time," explains Ply Gem's Johnston. "Cellular PVC products don't absorb water so when they are painted, the paint lasts much longer. Also, since cellular PVC products don't absorb moisture, they won't rot, crack or warp. Unlike engineered wood, they don't attract insects and don't contain chemicals."

Nam Og, vice president of product management for AZEK Building Products, cites the growing length of time homeowners are staying in their homes as a major factor in the growing demand of low maintenance products. ➤



TOP LEFT: In response to industry demand, LP launched LP SmartSide Smooth Siding and Trim in 2019, which leverages the manufacturer's durable strand technology and is available now in a smooth finish.

TOP RIGHT: According to Ply Gem, its Cortex Hidden Fastening System for Ply Gem Trim is the fastest, easiest way to hide trim fasteners in PVC. It comes with plugs that are pre-positioned on a collated strip to minimize handling and save valuable installation time on the jobsite.



BOTTOM LEFT: AZEK states that its new trim with PaintPro Technology is the lowest maintenance paintable trim in the market because it eliminates the need for sanding and priming while achieving longer lasting, superior paint adhesion. It reduces the time it takes to paint trim while providing low maintenance performance.

BOTTOM RIGHT: Versatex recently launched a new Weathered Grey option in its Canvas Series of wood-toned PVC trimboards. According to the manufacturer, the new board's finish is unique, with a dimensional, matte texture that mimics aged cedar.

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“While the trim market has grown over the past several years, we’ve also seen growth of lower maintenance materials for exterior renovations. Homeowners do not want to spend time on upkeep; they want to spend time living their lives.”

Labor shortages, however, are also playing a big role in driving trends. The estimated number of job openings in the construction sector increased to 404,000 in April of 2019, a post-Great Recession high, according to the latest figures from the Bureau of Labor Statistics Job Openings and Labor Turnover Survey. At that same time, 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.

“The lack of labor availability has driven the need for workable, easy-to-install products” says Og. “Installers

need trim that they can install quickly, without sacrificing quality.”

As Royal Building Products’ Steve Booz explains, “As builders continue to face rising costs for materials as well as labor shortages, the demand for PVC products continues to increase. PVC trim and moulding products are easy to install and maintain, making them an advantageous product for builders who want to meet consumer demand for a high-end look, within a reasonable timeframe and budget.”

CHANGE IS SCARY

Considering the direction of product development and the increasing demand for low/no maintenance, builders are looking at a very specific checklist to meet these demands. Trim needs to look good, perform well, install quickly, and require less technical skill. And distributors need to be ready with products that meet that checklist. ➤



Launched last year as an accompaniment to Select Cellular PVC Siding, Royal’s Spec Series Trim is stylistically suited to a variety of vinyl or fiber cement siding. According to the manufacturer, Spec Series is a lightweight and easy to install accessory featuring a 5/8” board-like appearance, 2” deep pocket and 3/4” pocket width.

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Yet oftentimes, builders are slow to embrace new product solutions even when they hold the promises of easier and faster installation, less maintenance, and increased curb appeal. Getting builders to switch to a new product takes more than just a glitzy product brochure from the manufacturer—after all, every product they use reflects on their credibility and reputation. Changing product can be scary, especially if a product doesn't perform as advertised, and distributors need to be prepared to ease their customers' worries and help them through the transition process.

"Builders know that their reputation is on the line with each house they build," says Boral's Drury, "and therefore there will always be a natural hesitation for trying new things—will the product look good? Will it perform? And from an installation standpoint, they're always worried about how to install an unfamiliar product and how much time it will take to install. They often overestimate to be safe, which can affect bids and scheduling."

AZEK's Nam Og agrees. "Generally, builders/remodelers will want to stick to tried and true building practices and products. Their reputation is incredibly important and the primary driver of the business. Introducing anything new can seem risky; we need to ensure that whatever we're asking them to sell will fit seamlessly into their businesses, their value propositions and their existing product offering."

As well, builders need to know that making a product switch won't involve

large investments of time—both in training and installation. "With a new product you need to learn new processes which all take time, resulting in less jobs completed per day," says Booz.

"As a building products manufacturer, we take this concern seriously when we introduce a new product on the market and create resources for builders to make the transition to using a new process as easy and efficient as possible."

Sami Rahman, vice president of product management for James Hardie, shares Booz's view. "Builders want to make sure the products they choose are easily available, affordable and help their projects come to life. Most importantly, builders want proven, reputable products from a reliable manufacturer that will deliver long-term durability and peace of mind. They need to feel confident that their designs can be achieved on budget and on schedule, and that the products they build into their homes will perform to help protect their homes and reputation for years to come."

PUTTING FEARS TO REST

So with reputations on the lines, how does the LBM dealer not only become a trusted resource for its customers on trim and moulding products, but also increase sales? Industry experts say that a combination of savvy inventory practices, strategic display initiatives, and thorough product knowledge are the keys to distributor success. It's not a matter of stocking every trim option; instead, it's all about being the expert in the lines you *do* carry. ➤



ABOVE: James Hardie recently launched its new Dream Collection line that offers a wide range of products in a variety of profiles, sizes, textures, and over 700 James Hardie ColorPlus Technology finishes. According to the manufacturer, these fiber cement siding and trim products offer the elevated flexibility and endless design options that customers want for their siding and trim choices.

BELOW LEFT: In an effort to make installation more efficient to help address the issue of declining skilled labor in the market, AZEK recently launched a complete PVC soffit system and tapered columns that are engineered with components that seamlessly fit together to reduce labor and costs.

BELOW: According to BlueLinX, its PrimeLinX boards are produced under strict requirements and standards from a high-quality substrate using an exterior glue and primer that results in a smooth, straight, easy to install, low maintenance product.





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“We would recommend that LBM dealers commit to stocking only a few, if not only one, brand of man-made products in a certain category and become experts in it,” says Versatex’s Kapres. “This would enable them to better convey to the builders why the brand they chose to stock is the best option, and it would allow them to stock a deeper inventory of that chosen line and promote it heavily in conjunction with the manufacturer.”

Whatever lines a distributor decides to carry, a strong inventory will do no good if the customer can’t see and understand the product. That’s where display and education come into play. “Dealers should consider the power of good displays,” says Boral’s Drury. “With trends favoring multi-textured facades, vignettes showing how products and materials go together can help inspire customers to think outside the box and ensure each home

is unique. Such displays also may encourage product upgrades.”

BlueLinx’s Vigliotta agrees. “Having a display center where the customer can see the product in a practical application is helpful,” he says. “BlueLinx provides samples and display boards of our PrimeLinx products, so our customers can use them on builder calls or in their showrooms.”

Above all, however, is product knowledge that goes beyond being able to regurgitate a spec sheet. The successful LBM dealer will see themselves as problem solvers in partnership with the customer, seeking out the best solutions for unique situations. “We can’t emphasize product knowledge enough,” explains Boral’s Drury. “Know more about your products than your customers do—and even about the products that you don’t sell. This includes product features and benefits, as well as installation techniques and

costs. This will allow you to be a true resource and problem solver, to be able to listen to each customer’s needs and challenges and devise the best product solutions to ensure their success.”

Og echoes Drury’s comments. “If the dealer focuses on understanding and solving their customers’ problems, it can show great results. Working with the manufacturers’ reps to best understand the product inside and out and how to succinctly present the product’s key value propositions to customers is a best practice that drives relationships, conversions and long-term customer satisfaction.”

Obviously, dealers will never have all the answers to all the problems their customers bring to them. But if customers see their supplier as someone who is dedicated to finding the answer for them, then they are likely to be repeat customers. “It’s important to keep up with market trends,



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which includes keeping a pulse on new building products that are available,” explains LP’s Kieta. “If a builder asks you (the dealer) about a product and you are unsure what it is, take time to reach out to the manufacturer and/or do some research, and then follow-up with the builder with the information you gathered. A dealer sales representative who is viewed by the builder or remodeler as a resource is in an invaluable position.”

BECOME A KNOWLEDGE RESOURCE

While becoming a problem solver for your customers may sound like a daunting task that requires hours upon hours of study, manufacturers make it easier by offering numerous educational resources. From product literature to classroom training to demonstrations at the dealer’s location, these resources—when taken advantage of—help the distributor become a knowledge center and the contractor an installation expert.

For example, Versatex offers a two-day training course it calls “VERSAT-EXpert,” a combination of hands-on, in-plant, and classroom training for all its dealers, as well as best practices and hands-on demonstrations at the dealer’s location. Similarly, Boral offers in-person training for staff and customers, and it can arrange a visit with one of its traveling training trailers for a true hands-on experience.

LP has partnered with the Kruse Brothers who bring the LP SmartSide Installation Training Class from coast to coast. This three-hour class teaches best installation practices, how the product is made, and the different styles available. And in addition to an array of traditional printed product training materials, AZEK is building out a library

of tutorial videos for quick reference on best practices. As well, its AZEK U training program brings in contractors and distribution partners to the company’s new contractor training center in Chicago for two days of hands on demos and interactive sessions.

At the 2020 Builders’ Show, Boral introduced a new beadboard from Kleer that is extruded as one piece and sealed on all four sides. According to the manufacturer, by extruding all four sides, it doesn’t create an open cell that can be prone to getting dirty. The beadboard can be painted if desired, is easy to install, and comes in boards with tongue-and-groove edges for easy installation and a finished look.

In the case of BlueLinX, it provides an in-house marketing department that can customize literature and point-of-purchase materials based on the needs of the individual customer. And new in 2020, Royal Building Products is launching its first-ever builder roadshow that will be traveling to major cities on the East Coast to conduct personalized, invite-only training sessions in the first half of the year.

Like the changes in moulding and trim work during the Greek and Roman eras, evolution of the product is inevitable. But while our ancient predecessors had no ability to predict these changes, dealers and contractors alike can now analyze market trends and be ready to react with the right product and knowledge base. In this world of information, there is no excuse for being caught off guard. The only question is whether you will be ready to respond when change comes. ■

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

RESOURCES

Companies highlighted participated in this article.

Arauco:
arauco.cl

AZEK Building Products:
azek.com

BlueLinX:
bluelinxco.com

Boral:
boralbuildingproducts.com

CertainTeed:
certainteed.com/trim

CMPC: Selex:
selex.cl

Collins:
collinsco.com

Cornerstone Building Brands/Ply Gem:
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EastCoast Mouldings:
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Fypon:
fypon.com

James Hardie:
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Kleer:
kleerlumber.com

KOMA:
komabuildingproducts.com

LP SmartSide:
lpcorp.com

Metrie:
metrie.com

MiraTec:
miratecextira.com

Nu-Wood:
nu-wood.com

Palram Industries:
palram.com

Royal Building Products:
royalbuildingproducts.com

Tamlyn:
tamlyn.com

Trex:
trex.com

Universal Forest Products:
ufpi.com

Versatex:
versatex.com

Woodgrain Millwork:
woodgrain.com

Woodtone:
woodtone.com

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



TrueWerk T3 WerkBib

TrueWerk has expanded on its high-performance technical workwear line with the T3 WerkBib. An active layering piece, the T3 WerkBib is built with TrueWerk's proprietary bonded three-layer fabric engineered with a four-way micro-ripstop outer shell, a waterproof breathable laminate and an insulating inner fleece lining. The covered pockets, integrated knee pads and full-zip legs are designed to protect the wearer from snow and debris and allow for the ability to easily take them on and off for added layering, or even just venting heat while in the truck. The T3 WerkBib is designed to provide comfort and range of motion on the job site. truewerk.com



National Nail's new self-sealing STINGER Mini SnowGuard

National Nail's Mini SnowGuard's design is described as cutting-edge and time-saving, with a self-sealing gasket system that requires no silicone, eliminating the mess and cleanup associated with sealants. Additionally, the Mini SnowGuard's patented weather-tight gasket system is engineered to allow for installation at any temperature. Eliminating silicone offers an installation that's up to 60% faster compared to traditional snow guard products, the manufacturer says. Designed to be easy to install, SnowGuard can be placed on the weather-tight gasket, set at the desired point on the roof, and secured with the three 1.5" x #10 neoprene washered screws, which are included. Available in 12 colors and a clear finish. stingerworld.com/snowguard

LP SmartSide ExpertFinish Trim & Siding

LP SmartSide ExpertFinish Trim & Siding comes in a variety of prefinished colors with a new ExpertFinish Lap engineered to avoid the need for seam caulking, joint molds or pan flashing. It is available in 16 colors and a variety of SKUs and finishes said to complement all style and design needs. According to the manufacturer, LP SmartSide ExpertFinish Trim & Siding is designed to provide advanced durability, easier installation, and an industry-leading 5/15/50-year limited warranty—a 5-year full labor and materials warranty, a 15-year warranty on the finish and a 50-year warranty on the substrate. lpcorp.com



Structural epoxy products from Simpson Strong-Tie

Simpson Strong-Tie has launched a line of structural epoxy products designed for a variety of concrete crack repair jobs. According to the manufacturer, the new CI family of crack injection epoxies have an improved viscosity range, with accelerated cure times, and can be installed at temperatures between 40°F and 110°F to meet the demands of real-world concrete repair applications. Simpson Strong-Tie has also upgraded its suite of dispensing tools and injection systems engineered to help make applications fast, easy, and clean. go.strongtie.com/crackrepair



ProVia's new corner drive system for casement windows

ProVia's new corner drive system incorporates locking points in the top corner of the window frame, opposite of the hinge and operator slides, a feature designed to improve structural performance on larger casement windows. The corner drive assembly transmits the tie bar actuation force around the corner of the window frame at an integrated locking point 3" from the top of the casement window. The integrated locking point is engineered to reduce sash flex and improve air infiltration performance. The system comes standard on any Endure or Aspect casement window that's 24" x 56.25" or larger, and is an option for smaller sizes. Also new for Endure and Aspect casement and awning windows is the lock-out crank handle, designed to prevent the handle from closing prematurely while operating the window. The handle can be put in the closed position by engaging the lever on the back. This feature comes standard on Endure and is optional on Aspect. Lock-out crank handles are available in all standard and metallic finishes for each window line. provia.com



Postwrap and trim kit accessories from Palram

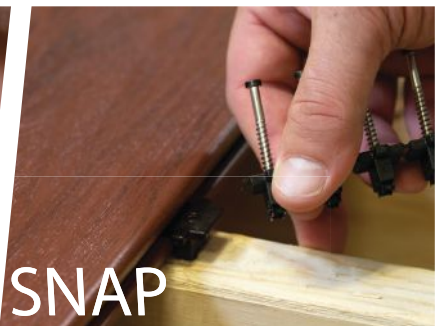
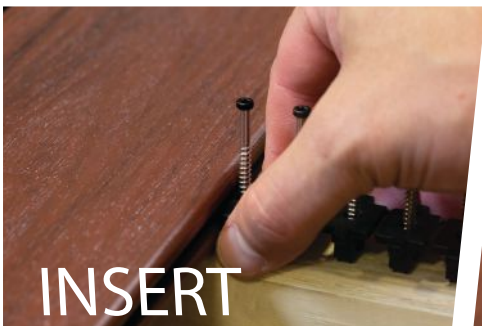
Palight PostWraps are flat packed and protected by cardboard to keep them clean until you're ready. The patented Wrap-n-Snap design is engineered to make every installation a one-person job. Matching decorative trim kits (bed mould, base cap, crown mould) are available for all sizes of PostWraps. palram.com



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CERTAplank reinforced siding from CertainTeed

CERTAplank is a wide-faced vinyl cladding engineered to combine modern hardboard looks with a lightweight 7", slim but rigid profile that is said to install quickly and safely, and require virtually no upkeep. Because CERTAplank is lighter weight and more flexible than fiber cement or natural wood siding, contractors can hand unload CERTAplank without any special equipment, storage or stacking requirements, the company says. Panels are engineered not to crack or chip, and there are no OSHA restrictions on handling or cutting material outdoors. Any standard 3/4" siding accessories can be used as trim, including standard new construction window J-channel. CERTAplank is offered in 18 colors with a woodgrain finish. certainteed.com



Sherwin-Williams Painter's Edge new colors

Sherwin-Williams has enhanced Painter's Edge Interior Latex Flat in seven pre-selected builder colors designed for improved application, better appearance and easy touch-up. The new enhancements are said to simplify the painting process and help diminish the appearance of minor surface defects for projects. Painter's Edge features builder-grade interior vinyl acrylic resin technology and can be used on prepared drywall, plaster, masonry and incidental wood surfaces. The coating is available in flat, egg-shell, high sheen, egg-shell, satin semi-gloss, and gloss finishes. Painter's Edge is available in Botany Beige, Desert Fawn, Duron Kilim Beige, Lulled Beige, Agreeable Gray, City Loft, and Accessible Beige. sw-builders.com



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Milwaukee's MX FUEL Equipment System

The new cordless system from Milwaukee Tool features light equipment tools designed to deliver the performance, run-time, and durability demanded by the trades without the hazards associated with emissions, noise, vibration, and the frustrations of gas maintenance. Each of the solutions on the MX FUEL System are designed to go beyond the limitations of gasoline and power cords and operate off one completely compatible battery system. Tools in the new system include MX FUEL 14" Cut-Off Saw; Handheld Core Drill; Breaker; CARRY-ON 3600W/1800W Power Supply; ROCKET Tower Light/Charger; and Sewer Drum Machine with POWERREDZ. milwaukeetool.com



FastenMaster TrapEase Fascia System

FastenMaster has partnered with leading composite deck board manufacturers to develop the TrapEase Fascia Color Matched Fastening System. TrapEase Fascia is designed to enable contractors to quickly install composite fascia in two easy steps. According to the manufacturer, simply pre-drill a pilot hole using the provided counterbore tool, which will allow the fascia to expand and contract, and then install the fastener, ensuring the head is flush with the top of the board for a finished, color-matched look that is guaranteed for the life of the project. The TrapEase Fascia System is sold in kits to complete 100-lineal feet of fascia, and is available in 18 colors to match all Trex, TimberTech, and Fiberon Fascia. The system includes 200, 1-3/4" screws, a counterbore tool and a TORX ttap driver bit. fastenmaster.com



DAP Heavy Duty Construction Adhesive

DAP now offers a reformulated DynaGrip Heavy Duty adhesive engineered to offer 50% more instant grab than the previous DynaGrip Heavy Duty formulation. Designed as a solution for both interior and exterior construction and remodeling projects, DAP's DynaGrip Heavy Duty is said to be easier to gun for greater efficiency and consists of a low odor formula that is compliant with VOC regulations. The adhesive is offered in 5 oz., 9 oz., and 28 oz. sizes. dynagrip.dap.com



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TandoStone Composite Stone Cladding

TandoStone, with TruGrit technology, is a winner of a Product Innovation Award from *Architectural Products* magazine. TandoStone is available in styles of Creek LedgeStone (with distinct grout lines) and Stacked Stone (without grout lines) in a variety of natural colors. Two brand new colors include Creek LedgeStone's Nordic Mist, designed to be a cool, subtle gray with warm accents, and Stacked Stone's Glacier Bay with frosty gray hues. tandobp.com



Palight Corners from Palram

Palight Corners are designed with appearance in mind. Corners with J-channels and nailing fins are available in two sizes: 3-1/2" and 5-1/2". The 5-1/2" size is also available with no J-channel and hinged nailing fins. All Palight Corners are milled from single boards or sheets using Continuous Surface Technology, not pieced together out of separate boards. palighttrimboard.com



DEWALT 20V MAX Brushless Handheld Blower

The 20V MAX Brushless Handheld Blower from DEWALT is engineered with an innovative axial fan design said to maximize air output and runtime. It clears debris with an air volume of up to 450 cubic feet per minute and up to 125 mph (with the concentrator nozzle), according to the manufacturer. The tool weighs 5.43 lbs without a battery. The variable speed trigger and speed lock are designed to give the user power control. dewalt.com

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New colors from Safe-Way Garage Doors

Safe-Way Garage Doors has added three new colors to its Choice Series line of garage doors that are now available. The company has also added two Madera wood grain colors to its Choice Series entry level line. The new Oak and Rosewood options are designed to give homeowners a realistic wood grain look in a low maintenance product. Also added to the new color palette is a Bronze earth tone. The new Bronze color previously added to the Regency and Ambient lines, is now available in a more economical product offering. Choice Series doors are available in both insulated vinyl back and non-insulated versions. The Choice Series now offers nine colors, four panel designs, and 23 window options. A variety of optional carriage house style hardware is available. safewaydoor.com/choice

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WOOD-BASED CONSTRUCTION SET TO MOVE OFFSITE

IS YOUR ORGANIZATION READY FOR THE COMING REVOLUTION? The American building community of developers, architects, engineers, contractors and building construction firms are currently facing a multitude of challenges that require urgent attention. The scale and scope of these challenges will force change at a revolutionary rather than an evolutionary pace. Marginal improvements and refinements aren't going to cut it any longer, since many of the current challenges facing the sector will almost certainly continue to get worse rather than improve. Moreover, although this article mainly focuses on the domestic front, these challenges are by no means confined to the United States. In fact, many of them are more pressing abroad, in both advanced and emerging economies. Are you ready for the revolution?

BY BRENDAN LOWNEY AND ART SCHMON

THE PROBLEM

THE DEMAND FOR HOUSING WILL ONLY GET STRONGER OVER THE NEXT DECADE.

The U.S. housing stock is underbuilt. From 1959 to 2000, the U.S. averaged 1.51M housing starts per year as the U.S. population expanded from 177M to 282M over that time. Since then we have experienced a major housing boom from 2001 to 2005 (when housing starts averaged 1.83M), followed by a cataclysmic housing slump that saw average annual housing starts of only 954K over the 2007-18 period, even as the U.S. population grew to 327M. The U.S. housing stock is underbuilt by at least 2M units, and possibly as many as 4M units.

The U.S. housing stock is old. As of 2017, the median owner-occupied single-family home was 40 years old, compared to 27 years old back in 1993. More than half of U.S. homes were built before 1980. The pace of building has been so anemic that as of 2017, there were more than 20% more housing units standing that were built between 1980 and 1985 (a period that contained two recessions) than were built between 2010 and 2017 (a period that contained zero recessions).

A demographic tailwind is coming soon. The need to build more homes is only going to become more acute over the course of the 2020s as the bulge of Millennials transitions into their prime home-buying years. As of the middle of 2019, the two largest age cohorts were 28 and 29 years old (**Graph 1**). This group will be in their early- to mid-30s as we enter the middle of the next decade. U.S. homebuilders will be hard-pressed to meet this burgeoning demand.

Labor is scarce in the residential construction sector. Employment in the residential construction sector is 16% lower than its pre-recession peak, and yet the unemployment rate for the sector is at an all-time low. Surveys of homebuilders and general contractors reveal large and growing shortages of virtually every trade associated with residential construction. Meanwhile, job openings in the

construction sector are about 30% higher than their pre-recession peak. Construction labor is aging rapidly, and the industry continues to struggle to attract young workers.

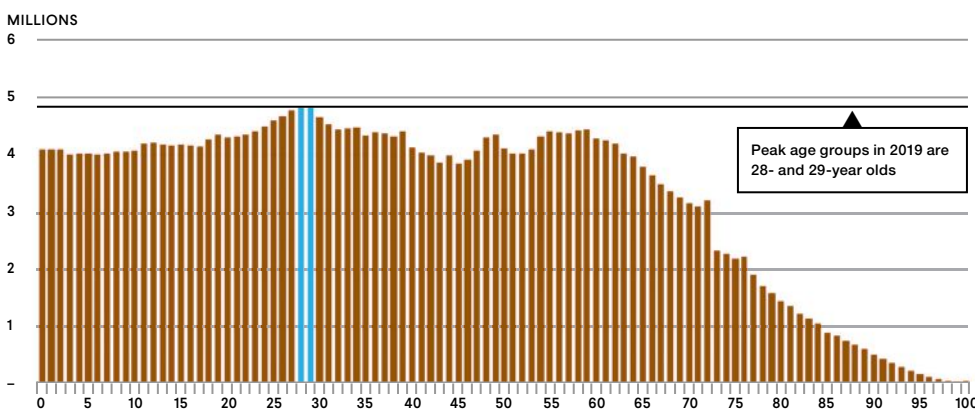
Don't expect immigrants to fill the void. Immigration from Mexico had already dried up prior to 2016 due to demographic trends in Mexico and the improving economy there. The current Administration's policies will further ensure that foreign-born workers will not alleviate labor shortages.

Productivity in the construction sector is abysmal. We are still using construction methods that were employed decades ago. A widely cited study by McKinsey & Company showed that between 1995 and 2015 construction output per worker per hour declined by about 20%; this measure increased by about 40% for the U.S. industrial sector over the same period. The NAHB disputes this finding, asserting that construction productivity was flat over that time period. Even if this is true, it's still nothing to brag about.

The rent (and the mortgage) is too damn high! Builders are finding it increasingly difficult to build housing that middle-class people can afford. The median household income in the U.S. is about \$65K per year while the median price of a new home is over \$325K. That math simply doesn't add up, even with rock-bottom interest rates. The problem is especially acute on the West Coast and the Northeast. A report by the Government Accountability Office covering the period 2011-15 showed that the median cost of delivering a single unit in a multifamily development was \$326K in California and \$284K in New York City. These are not luxury units as the report covered only housing units that were eligible for government subsidies.

Current construction methods produce a lot of waste. Go to a typical single-family construction site and you will see a huge dumpster that will often need to be emptied several times over. Meanwhile, urban construction is still dominated by concrete and steel which are not renewable, not energy efficient, and do not sequester carbon. ➤

GRAPH 1 U.S. POPULATION BY AGE AS OF JULY 1, 2019



Source: U.S. Census Bureau

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Art Schmon is a partner, and Brendan Lowney serves as a principal, of Forest Economic Advisors (FEA) LLC, which analyzes and reports on the economics of forestry. This piece was excerpted with permission from FEA's Spotlight. Learn more at getfea.com

THE SOLUTION

OFFSITE CONSTRUCTION USING WOOD AS THE PRIMARY BUILDING MATERIAL.

“If you have a labor-constrained process and you can’t change the labor, then you have to change the process,” says Gerard McCaughey, CEO of offsite building firm Entekra

The manufacturing sector has certainly learned how to make do with fewer workers. Manufacturing output has increased by 700% since 1950, even as manufacturing employment has declined by 10% (**Graph 2**). It is time for the construction industry to borrow methods from the highly productive manufacturing sector. The first step in this process is to move most of the process into a factory setting and turn the building site into an assembly site.

► **THE BENEFITS:**

- **Building Information Modeling (BIM):** Allows for digital prototyping and advanced coordination of designs, minimizing mistakes and delays in the field.
- **Speed:** Construction of elements and/or modules is simultaneous with construction of foundations.
- **Less labor, less training:** More of the work is automated, requiring fewer specialized skills.

- **Expand the potential workforce:** The factory environment will open up construction jobs for women.
- **Weather:** Construction is indoors, where the weather is always sunny! Delivery is just-in-time and assembly is fast.
- **Greater efficiency, quality, and predictability:** Greater precision exists in the manufacturing process, resulting in higher quality (fewer callbacks and warranty issues)—and far less waste!
- **Greater procurement efficiency:** Material requirements are more accurately calculated, including buying in bulk—and buying direct from manufacturers.
- **Safety:** Falls from height and equipment accidents do not present as much of an issue offsite.

The future of wood-based construction is not going to be dominated by any one product. Mass timber (such as cross-laminated timber which is widely known as CLT), modular and panelized light-frame construction are all going to play a role. Focus on the process, not the product.

WHY WOOD?

Wood has a number of advantages over steel and concrete, its main rivals as a building material. Consider the following:

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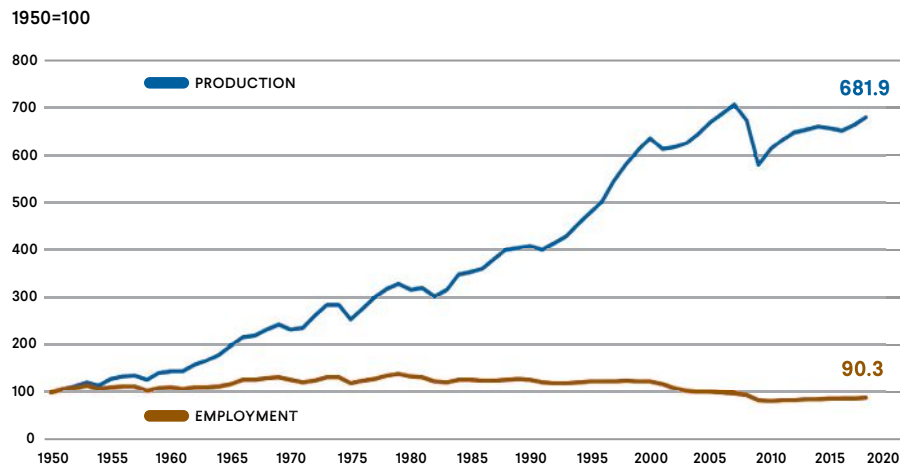
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- **Wood is renewable.** According to Thinkwood, the current volume of tree growth in North America is nearly 40% higher than the annual harvest.
- **Wood is a zero-waste industry.** Moreover, when we convert the construction site to an assembly site, the amount of waste shrinks to as little as 10% of a traditional stick-built home.
- **Wood is green.** A Thinkwood analysis that looked at equivalent 40K square foot buildings showed that concrete and steel produced 470% and 300% more water pollution respectively than did wood. The concrete and steel building consumed 190% and 140% more fossil fuels than the wood building.
- **Wood stores carbon.** Steel and especially concrete are huge emitters of carbon dioxide. In contrast, wood sequesters carbon. The seven-story, 220K square foot T3 building in Minneapolis—which uses CLT as its primary

GRAPH 2

THE MANUFACTURING SECTOR IS PRODUCING NEARLY 7X THE OUTPUT WITH 10% FEWER WORKERS COMPARED TO 1950



Source: Federal Reserve, Bureau of Labor Statistics

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building material—will take the equivalent of 996 cars off the road for a year due to its wood construction. Meanwhile, it took just 15 minutes for North American forests to grow the amount of wood used in T3. ■

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Learn more and register at dealer.org



Making a difference for our industry

BY ROBERT P. SANFORD

IT'S AN INCREDIBLE TIME FOR POLITICS in Washington, and as the 2020 election cycle continues to gear up, both parties are quickly putting together their agendas before campaigns dominate the calendar.

With so much at stake, and so many opportunities to advance our issues, we invite you to join your fellow LBM industry pros for our annual Spring Meeting & Legislative Conference in Washington, D.C. NLBMDA is coming out of 2019 with several legislative and regulatory victories, and early 2020 will have the potential for action on policies such as affordable housing, energy, trade, and other important areas. This conference is your opportunity to hear from the lawmakers directly.

We will bring members of the United States Congress directly to the conference to speak to you, and you'll get to meet personally with lawmakers to make sure our collective legislative priorities and concerns are shared with leaders that are in a position to make a difference. You are the best representative for your business and industry, and your personal stories make a persuasive and powerful case for policies that will make residential housing and the overall economy stronger.

In addition to advancing our common interests, this growing conference is an opportunity to join forces and make our voices heard. The meeting is an incredible way to educate yourself on a variety of issues like legislative and regulatory advocacy, network with industry colleagues, participate in the lawmaking process, and shape policy that can make for a better future.

For those of you attending for the very first time, we assure you that being part of the political process is an amazing experience and our staff will make sure you're equipped with all the tools you need to make effective use of your time.

Come join fellow LBM industry pros to meet lawmakers and association leadership in Washington on March 23-25, 2020, at the Westin Washington City Center in Washington, D.C. Both long-time and first-time attendees will be well-prepared when they meet with lawmakers during Capitol Hill visits, and our ticketed LUDPAC Luncheon will feature renowned political analyst Charlie Cook.

Finally, the Joint Networking Reception on Capitol Hill will allow you to connect with fellow industry partners, build new relationships, and interact with members of Congress and their staff. Add your voice on issues affecting your business and be a part of the change you want to see in Washington, D.C. Take the first step today and register now with your respective Association. Represent your industry and make a positive difference. For additional information regarding the conference, visit dealer.org.

I hope to see you in Washington, D.C. ■

LEFT TO RIGHT: Tammy Wandler-Ginexi, NRLA; Ashley Ranslow, formerly of NRLA; Dave Bitso, Reeb; U.S. Representative Joe Courtney; Peter Rogers, Ridgefield Supply (retired); Robert Sanford, president, Sanford & Hawley; Rita Ferris, NRLA.



Congress ends 2019 with flurry of legislative activity

BY KEVIN MCKENNEY

THE END OF 2019 saw a flurry of legislative activity by Congress as legislators worked to address several priorities related to spending, taxes, health care, and trade before the start of the new year and presidential election season. As usual, there were several issues that affected the LBM industry.

After a series of continuing resolutions this fall, Congress and the White House were finally able to reach an agreement on a long-term spending package to fully fund the federal government through the end of fiscal year 2020. Importantly, this agreement removes the threat of a government shutdown until at least September 30, 2020. The spending package was split into two separate pieces of legislation with the first bill appropriating \$860 billion for national security programs and the second bill appropriating \$540 billion for domestic and international assistance programs.

As part of the government funding package, Congress included a number of changes to the tax code which impact the LBM industry. First, in a big win for the industry, Congress permanently repealed the Health Insurance Tax, which is a fee imposed annually on fully insured health care plans that are offered by many small and medium-sized businesses. They also repealed the Cadillac Tax, which is a 40% excise levy on high-cost health plans. The elimination of both of these burdensome health care taxes are significant hard-fought victories for the LBM industry and small business community. Our success was no doubt attributable to the hard work of NLBMDA members throughout the year.

Second, the package extended a series of small business tax incentives, known as “tax extenders,” through the end of 2020. These extenders apply retroactively to 2018 and 2019. Key incentives include the 25C tax credit, 45L tax credit, 179D deduction, mortgage forgiveness relief, and mortgage insurance deduction. The 25C provision provides home

owners with a tax credit for investments in energy-efficient home improvements. 45L provides eligible contractors with a tax credit for constructing energy-efficient new homes. 179D enables building owners to claim a tax deduction for installing energy efficient systems and buildings. The mortgage forgiveness incentive provides tax relief by eliminating any taxes home owners might face due to renegotiating the terms of a home loan on a principal residence. The mortgage insurance deduction allows home owners to deduct the premiums paid for private and public mortgage insurance, subject to an income cap starting at \$100,000.

In addition to funding the government, the House of Representatives took a crucial step forward on trade by approving the United States-Mexico-Canada Agreement (USMCA) to update and replace the North American Free Trade Agreement (NAFTA). The agreement now moves on to the Senate where it is expected to pass and be ratified into law. The Senate Finance Committee recently reported the USMCA out of their committee and it could receive a vote on the Senate floor at any time.

Senate majority leader Mitch McConnell (R-KY) had originally announced that the Senate would not be taking up the USMCA until after the impeachment trial of President Trump but speaker Nancy Pelosi (D-CA) has yet to send the Senate the articles of impeachment from the House. Canada and Mexico will also have to ratify the new deal.

The calendar now shifts to 2020 where the presidential election will dominate the news cycle and dictate actions of both parties throughout the federal government. NLBMDA is committed to navigating the complex political climate to ensure our member’s priorities continue to be reflected in legislation passed by Congress and regulations promulgated by the Trump Administration. The NLBMDA Spring Meeting and Legislative Conference, taking place in D.C. this March, will be a crucial piece of our advocacy efforts. ■



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

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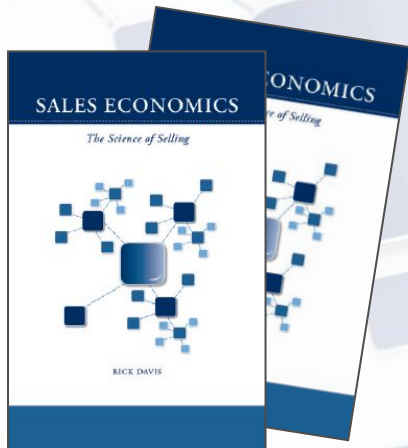
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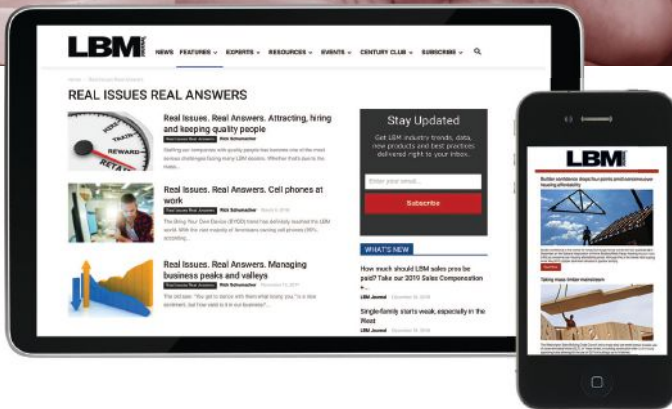
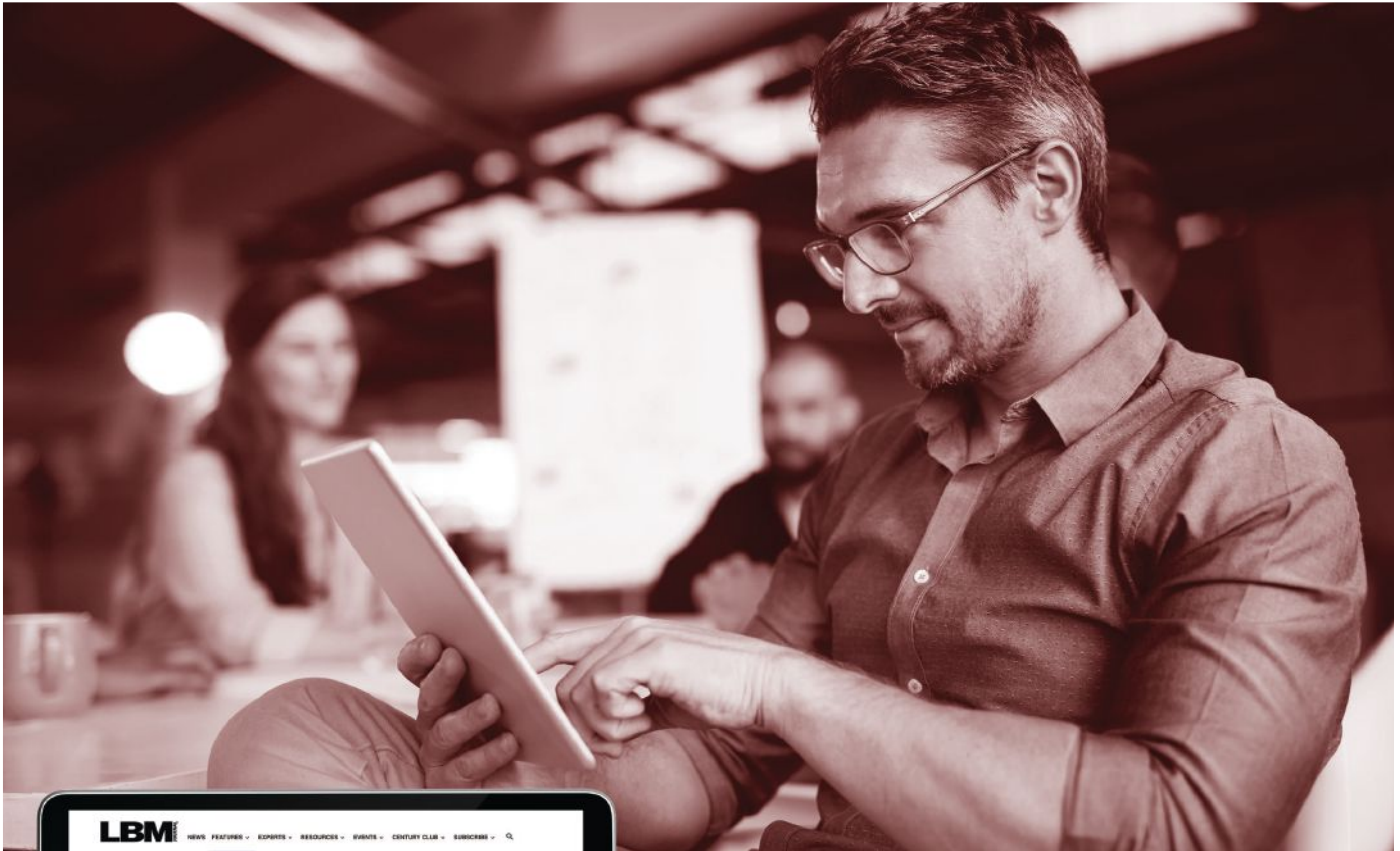
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*Denotes regional distribution.

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

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'HEY, I'M THE CUSTOMER'

VENDOR CONSOLIDATION HAS TAKEN YOU FROM VALUED CLIENT TO JUST ANOTHER NUMBER. WHAT WOULD YOU DO?

Like most LBM pros of a certain age, you recall a simpler time when vendors took care of customers. And if they didn't, the customer had plenty of options, and simply switched vendors. This still happens at your store, and with your customers. Sometimes you'll gain a builder who's frustrated with the service from your competition, and occasionally, unfortunately, you'll lose a customer to the competition for the same reason. In your experience, that's how it's always worked, and in your view, it's exactly how it should work. As you're learning, however, consolidation among your vendors is redefining the customer/vendor relationship.

Here's the story: for as long as you can remember, there were always two wholesale distributors in your market who battled for the same dealer customers. While their product offerings were similar, there was minimal brand overlap. On those rare occasions where they carried the exact same brand and product line, you and your fellow dealers were the beneficiaries of an inevitable price war. More typically, when choosing between product lines that are similar but not exact, you've still got some negotiating leverage—with price, or services, or both. And why not? After all, they want your business.

Your competitive reality changed about two years ago, when one distributor gobbled up the other. Now, instead of two vendors battling for your business, you have one who knows that you don't have a lot of options. When the acquisition first occurred, you sat down with Susan, your longtime representative from the new, larger vendor. "Don't worry," she said, "I've always taken care of you. Now that we're larger, it just means that our service and product selection will be that much better."

Six months ago, when you called Susan to follow up on a shipment that was not only late, but also only about 85% complete, she said: "I'm so sorry, but now that we're the only distributor serving this market, we're stretched thin and we're serving you the best we can."

Last week, when you made yet another call to Susan to discuss the exact same issue, you learned that you no longer had a dedicated rep, and your call was added to the queue. "Thank you for your patience," the recorded voice said, "as we give the customers ahead of you the same incredible service that you yourself deserve. There are...eight calls ahead of you."

Meanwhile, the co-op and buying group that you also buy from have been urging you to take a fresh look at their offerings. And, of course, there's the large national competitor who's perpetually interested in buying your company. You're not sure you like any of the options, but the current situation has become untenable. What would you do?



▶ CAST YOUR VOTE ONLINE AT: LBMJOURNAL.COM

- **MOVE ON.** The loss of a dedicated rep shows how little the vendor cares. You have no choice but to leave and find a vendor who values your business.
- **STAY PUT.** Like it or not, the recorded voice telling you to hold is the new reality. If you want the convenience of your nearby wholesale distributor, get used to waiting.
- **SQUEAKY WHEEL.** Ask for a sit-down meeting with the vendor's GM, explain your situation and your frustration, and ask to be treated like a valued customer.
- **CASH IN.** The market for established, profitable lumberyards has never been stronger. Maybe your frustration is a sign that it's time to consider selling your business.

SOMETHING ELSE?

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