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JULY 2020 \$10 U.S.

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SIDING REMAINS A STEADFAST PLAYER

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REAL ISSUES. REAL ANSWERS.
INVENTORY LEVELS AND BUYING SMART



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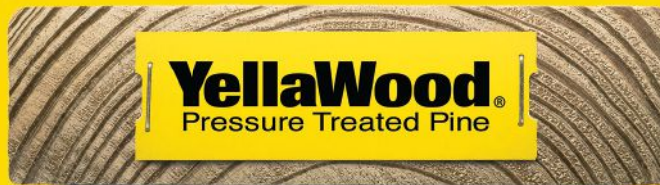
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TIPS BY PLM

PREPARING FOR HURRICANES AMID A PANDEMIC

While much of the world shut down to slow the spread of COVID-19, hurricane season has no plans for a shutdown. In fact, the National Oceanic and Atmospheric Administration has predicted a 60 percent chance of an “above-normal season,” predicting 13 to 19 named storms. With the hurricanes the U.S. has endured in recent years — Harvey, Irma, Maria and Michael, just to name a few — building material dealers must be prepared. Obstacles due to COVID-19 took their toll on the industry; business owners can’t let hurricane season pack a second punch.

For months now, building material dealers have been focused on learning how to survive a shutdown or to operate safely as an essential business. Now, they must learn how to reopen with new safety protocols and operational changes in place. These business considerations on their own are a great deal to digest. That said, it could be easy to let hurricane preparations go by the wayside this year. Building material dealers need to keep in mind that while we can’t stop a storm, hurricane preparations can go a long way towards minimizing damage and getting a business back up and running as soon as possible afterward.

With the 2020 hurricane season already underway, now is the time to prepare. Below are several tips building material dealers can take to make sure their businesses are hurricane-ready:

- **Inspect the roof, gutters, flashing and drains**
- **Examine for broken doors and window latches**
- **Find a safe place to store key business records and papers**
- **Prepare emergency supplies including: emergency lighting, lumber and nails, tape, sandbags, tarpaulins, tools, shovels, axes and chainsaws**
- **Make sure fire protection equipment is inspected and in working order**

When authorities warn that a storm is nearby, building material dealers should:

- **Secure outdoor structures, equipment and inventory that could be moved by wind**
- **Board up windows**
- **If requested by authorities, shut down water and electricity before evacuation**

While wind is a major concern with hurricanes, flooding often accompanies these major storms. Many business owners who operate a facility in a designated flood zone are required to purchase flood insurance. However, nearly 25 percent of



all flood insurance claims are reported from areas of low-to-moderate flood risk according to the National Flood Insurance Program. As such, building material dealers might want to check in with their insurer to understand their risk and options.

If flooding does occur, business owners are encouraged to have a battery operated radio on hand to get instructions from area officials, which could include a request to evacuate or move to higher ground. Additionally, business owners should understand that floods can be deceptive and all flooded areas should be avoided, both by pedestrians as well as those operating a vehicle.

Even when businesses thoroughly prepare, they cannot always avoid property damage. When returning to the property, business owners should use caution and follow the direction of local authorities. When on site, owners should inspect for and report any downed or damaged electrical wires, and make sure the building is not structurally challenged in anyway. Electrical systems should be examined by a professional before attempting to power any electrical appliance or light. Additionally, owners and staff members should be on the lookout for rodents and snakes. When the site is determined to be safe, clean-up should be completed as soon as possible.

Again, compliance of COVID-19 related protocols has been nearly all-consuming, but business owners cannot let the pandemic distract them from preparing for hurricanes. These storms are already here, just as they always have been — whether or not we’re ready.

Pennsylvania Lumbermens Mutual Insurance Company — now in business for 125 years — has been with the lumber and building materials industry through this pandemic and will continue to be a support through this hurricane season and many to come. Contact us at custserv@plmins.com or 800-752-1895, or visit us online for risk management resources for the hurricane season and more: <http://www.plmins.com/loss-control/>.

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Like to go along for the ride?

Into the eye of a hurricane, that is. No? Can't blame you for not wanting to make a trip that's about as peaceful as flying over an H-bomb explosion.

But somebody has to go—and it's the job of the U. S. Weather Bureau.

Another hurricane season is approaching. Fortunately, detection methods are improving yearly, and advance warning does help reduce a storm's depredations, its destruction of life and property.

Here are certain vital measures that lumberyards and woodworking plants can take to cut down loss:

1. Apply metal strapping to lumber piles—or nail wooden straps across top and down sides.
2. Batten down piles of lighter lumber with canvas or tarpaulin covers.
3. Place trailers and trucks so that they form windbreaks at entrances to open sheds.
4. Close all windows.
5. Throw electric switches to shut off

central current, oil burners, etc., as a fire safeguard.

6. Keep men on duty during storm for further emergency work.

7. Make sure your insurance protection covers hurricane damage (through an Extended Coverage endorsement or otherwise).

If you have a blower system, make sure it is soundly installed—properly guyed and strapped. This applies also to the cyclone unit and its component parts.

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

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Connecting the LBM Community

IT STARTED, like so many great things do, with a simple suggestion. In this case, the idea came from Credit Q&A columnist Thea Dudley, who wrote in a March 18 email, “I would like to do a special on-line ‘steps to protect your AR’ during this time. What do you think?” We *loved* the idea. The coronavirus crisis was exploding across the U.S., and LBM pros were scrambling for answers. When our marketing contact from Epicor learned we were planning this webinar for the following week, she asked if they could sponsor it. Just six days later, on March 24, Thea presented “COVID-19 vs. Your Cashflow and A/R” live to more than 500 *LBM Journal* readers.

Thea got the ball rolling. Since then, we’ve hosted at least one webinar each week by Thea Dudley, Rick Davis, Shane Soule, Rikka Brandon, John Wagner, and others. As of today, June 24, that makes 16 webinars with a total of 7,640 registrants. In a very real way, this webinar series has been like an old-fashioned barn raising...where neighbors rolled up their sleeves, dug in their heels, and worked hard to help their neighbor.

Last month, Shane Soule approached me with the suggestion of creating a user group forum that would enable *LBM Journal* readers to reach out to each other with questions on a variety of topics. It’s similar to the popular Real Issues. Real Answers. feature—which is written by and for *LBM Journal* readers. The inspiration for Shane’s suggestion is dBug, a user group forum for Epicor LBM software users.

Once our user group forum is launched, it’ll be called, fittingly enough, **LBM-Community**. The cost to join and participate will be exactly the same as the cost for almost all *LBM Journal* products: free. Watch for details on joining the **LBM-Community**.

By the way, if you value the free weekly webinars, the magazine, the daily enewsletter, the website, etc., please thank our advertisers and sponsors. Without their financial support of our work, and investment in your success, none of this happens.

Several readers have commented that *LBM Journal* seems to be doing more than ever before. We are, and we’re doing more with the exact same number of team members. Much of the credit for that goes to James Anderson. He joined our team five years ago to help me do the magazine, and to help serve you via rapidly expanding digital channels. This is the first issue with James as Editor (his former title was senior editor). The new title accurately reflects his growing role and responsibilities. I’m thankful to have James as a key member of the small-but-mighty *LBM Journal* team as we work to connect the LBM Community. ■



Rick@LBMJournal.com

MaterialsXchange

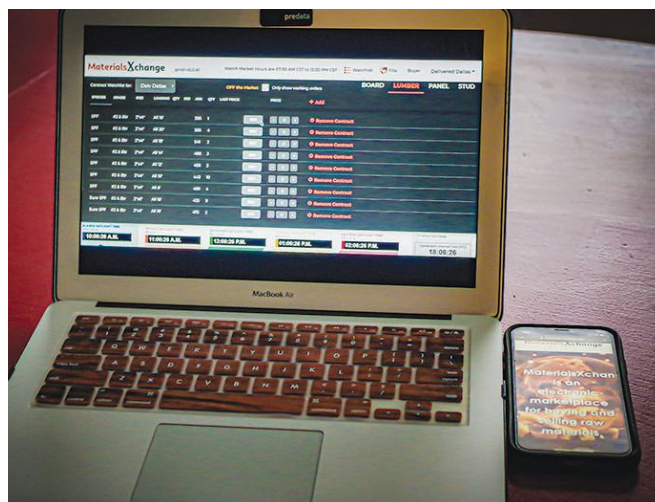
Launched in 2019, MaterialsXchange (MX), is an electronic marketplace for buying and selling raw materials. The first listings on MX were wood products, specifically Oriented Strand Board, European Spruce lumber, and Southern Yellow Pine lumber. Shortly after launch, the company completed its inaugural transaction, matching Binderholz Timber Inc. (seller) with Hart Lumber (buyer) for a first-ever deal between the two, which consisted of a full truckload of 2x4 Euro Spruce from the Port of Houston. (Normally user activity is strictly confidential, but the counterparties of the first transaction volunteered to share their involvement.)

MaterialsXchange was founded by Joe Campagna and Ian Polakoff, both with financial technology backgrounds. Mike Wisniewski is the company's CEO, who together with Ashley Boeckholt, CRO, brought in the lumber experience with extensive track records at Bloch Lumber. In fact, the two started at Bloch at a young age, were co-workers, roommates, and have remained lifelong friends.

Headquartered in Chicago, the company seeks to foster the evolution of commerce in commodity raw materials by implementing innovative technology developed to complete the digital supply chain. The company says it is bringing transparent pricing and user-friendly technology to commodity materials markets. The MX platform is an e-commerce marketplace that has the look and feel of a financial market, giving all participants market insight and the ability to place bids and offers in real time. In December 2019, MaterialsXchange joined the National Lumber and Building Material Dealers Association's Manufacturers and Services Council.

materialsxchange.com

MX is built to be scalable. The technology is designed to handle any product traded in a commoditized market environment and is built so that back-office functionality can grow in tandem.



From left, the founding team of MaterialsXchange: Ian Polakoff, CFO; Mike Wisniewski, CEO; Joe Campagna, COO; Ashley Boeckholt, CRO

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UPDATES

PEOPLE



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MCCRARY

LP Building Solutions has elected

W. Bradley Southern as chairman.

Southern will also continue to serve as chief executive officer.

Kelley Jenison has joined **BlueLinx** as the director, national accounts for pro dealers and specialty distributors.

Hy-Brid Lifts has appointed two sales directors. **Nik Fleischfresser** will be covering western North America, while **Dave Wanta** has been hired to serve eastern North America.

Jim Winn, formerly VP supply/product at **National Nail**, has been named president at **SPAX**.

ASSOCIATIONS

Ken Dunham has retired from his role as executive director of the **West Coast Lumber & Building Material Association**. Dunham has been in the position since June 2006.

IN MEMORIAM

Big Creek Lumber has announced that its co-founder, **Homer T. "Bud" McCrary** has passed away at the age of 93. Bud started Big Creek Lumber in 1946 with his brother Frank "Lud" McCrary, uncle Homer Trumbo, and father Frank McCrary, Sr.

INDUSTRY

Due to uncertainties about travel and social distancing, combined with concerns about the health and safety of our LBM community, **LBM Journal** has made the hard decision to take this year's **LBM Strategies Conference** virtual, and then plan to return to a traditional live event in 2021. Learn more at lbmstrategies.com

RailFX has launched ProFX, a nationwide rebate program available to contractors through Dec. 15.

AZEK launched its initial public offering on June 15, trading at \$23 per share and raising \$765 million.

World Millwork Alliance has postponed its WMA 2020 Annual Convention & Tradeshow until 2021.

LP Building Solutions joined with the TV show **Military Makeover** to transform the home of a veteran couple. This season of Military Makeover airs on Lifetime Television and American Forces Network.

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

A BIG LEAP FOR BUILDER CONFIDENCE IN JUNE

In a sign that housing stands poised to lead a post-pandemic economic recovery, builder confidence in the market for newly-built single-family homes jumped 21 points to 58 in June, according to the National Association of Home Builders/Wells Fargo Housing Market Index (HMI). Any reading above 50 indicates a positive market.

"As the nation reopens, housing is well-positioned to lead the economy forward," said NAHB Chairman Dean Mon. "Inventory is tight, mortgage applications are increasing, interest rates are low and confidence is rising. And buyer traffic more than doubled in one month even as builders report growing online and phone inquiries stemming from the outbreak."

"Housing clearly shows signs of momentum as challenges and opportunities exist in the single-family market," said NAHB Chief Economist Robert Dietz. "Builders report increasing demand for families seeking single-family homes in inner and outer suburbs that feature lower density neighborhoods. At the same time, elevated unemployment and the risk of new, local virus outbreaks remain a risk to the housing market."

Derived from a monthly survey that NAHB has been conducting for 30 years, the NAHB/Wells Fargo Housing Market Index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as "good," "fair" or "poor." The survey also asks builders to rate traffic of prospective buyers

as "high to very high," "average" or "low to very low." Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

All the HMI indices posted gains in June. The HMI index gauging current sales conditions jumped 21 points to 63, the component measuring sales expectations in the next six months surged 22 points to 68 and the measure charting traffic of prospective buyers vaulted 22 points to 43.

Looking at the monthly average regional HMI scores, the Northeast surged 31 point to 48, the South jumped 20 points to 62, the Midwest posted a 19-point gain to 51 and the West catapulted 22 points to 66.



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UPDATES

MERGERS & ACQUISITIONS

ECI Software Solutions recently settled its lawsuit against **Prosperity Computer Solutions** and, in connection with the settlement, has agreed to acquire substantially all of the assets of Prosperity.

DISTRIBUTION

OZCO Building Products has completed a North American sales and distribution agreement with **PrimeSource Building Products**.

Cardinal Building Products will distribute the Cascadia Railing System from **AGS Stainless** primarily in Pennsylvania, New Jersey, Maryland, Delaware, and Virginia.

Fortress Wood Products will distribute **MoistureShield** wood composite decking products to dealers from its three locations in Henderson, High Point, and Elizabeth City, North Carolina.

NAHB: HOUSING STANDS POISED TO LEAD RECOVERY

Housing data showed some signs of stabilization in late May after an effective two-month pause for major portions of the U.S. economy, NAHB Chief Economist Robert Dietz said in a weekly economic analysis on the effects of the COVID-19 pandemic.

While most indicators are down year-over-year, there are hints of a rebound in the data, provided businesses can continue to reopen as the virus slows its growth. As the housing sector enters this recession under-built, it is a sector with both pent-up housing demand and sensitivity to low interest rates, which places it in a good position to recover more quickly than other sectors of the economy.

Indeed, in the most promising sign, mortgage purchase applications have increased, supported by historically low mortgage rates (3.4% average). Data from the Mortgage Bankers Association found a 9% week-over-week gain, with a 54% improvement since early April and standing at the highest level since mid-March.

Dealers Choice will distribute **Fortress** products in the Midwest.

Huttig will distribute **MoistureShield** composite decking products throughout most of California through its Sacramento and Rancho Cucamonga branch locations.

Hardwoods Distribution Inc., has introduced **DesignOneSource**, a new specification division.

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UPDATES

BUYING GROUPS & CO-OPS

Do it Best Corp. has announced plans to reformat its upcoming fall market into a virtual event. This special market will be available exclusively online from Sept. 13 to 18.

Orgill plans for an online buying experience Aug. 24 to Sept. 4, following the company's decision to cancel its traditional Dealer Market in the wake of the COVID-19 outbreak.

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CONSTRUCTION INPUT PRICES RISE IN MAY

Construction input prices rose 0.8% in May compared to the previous month, according to an Associated Builders and Contractors analysis of U.S. Bureau of Labor Statistics' Producer Price Index data. Nonresidential construction input prices rose by 0.8% for the month as well.

Of the 11 subcategories, only three experienced monthly decreases, with the largest decrease in steel mill products, which fell 3.1% in May. The rise in prices was driven primarily by the three energy subcategories, which experienced significant increases over the previous month. Crude petroleum was up 41.6%, while natural gas and unprocessed energy materials were up 36.5% and 26.5%, respectively.

CONSTRUCTION STARTS POST SMALL GAIN IN MAY

Total construction starts rose 3% from April to May to a seasonally adjusted annual rate of \$595.1 billion, following a 25% decline the previous month, according to Dodge Data & Analytics. Several large nonresidential building projects broke ground in May resulting in the gain. Removing those large projects from the statistics would have resulted in no change in starts over the month. In May, nonresidential buildings increased 8%, while residential building starts rose 4%. Nonbuilding starts, however, declined 4% during the month.

TOUGH CALL ANSWERS

ANSWERS TO OUR MAY TOUGH CALL SURVEY:

TOO TOUGH TO BE SICK?

YOUR GENERAL MANAGER VIEWS CALLING IN SICK AS A SIGN OF WEAKNESS—NOT COMMON SENSE. HERE'S HOW READERS WOULD HANDLE THIS TOUGH CALL.



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33.6%

"GO HOME!" Emphasize that you need him and the rest of your team healthy. Anyone who doesn't feel well must stay home. Period.

23.5%

"THANKS, BUT..." Tell Matt that you appreciate his loyalty and toughness, but this virus is serious, and if he loves his job, then he'll stay home until he's feeling better.

20.1%

"WE NEED TO TRUST." Assure Matt that he, as your GM, has built a solid, trustworthy team. If they're using paid sick time, it's for a valid reason.

22.7%

"WE'RE LUCKY." Share stories with Matt about communities that have been hit hard by the virus. The smart bet to stay lucky is to take this seriously. If you're sick, stay home.

THANKS TO EVERYONE WHO VOTED ON THE MAY SURVEY. SEE PAGE 64 FOR THE JULY TOUGH CALL: "THE CASE OF THE SIDE-STEPPED SALES REP"

Through the first five months of 2020, total construction starts were 12% lower than in the same period in 2019. Nonresidential starts were down 19%, nonbuilding starts were 16% lower, and residential starts were off 3%. For the 12 months ending May 2020, total construction starts were down 1% from the same period a year earlier. Residential buildings were 1% higher and nonbuilding starts were up 5%. Nonresidential starts, however, were 7% lower for the 12 months

ending May 2020. The Dodge Index posted a slight gain, increasing to 126 (2000=100) in May from the 121 posted in April.

Nonbuilding construction fell 4% over the month in May to a seasonally adjusted annual rate of \$149.1 billion. The utility/gas plant category dropped 37%, while the highway and bridge category lost 4%. On the plus side, the miscellaneous nonbuilding category increased 31% over the month and environmental public works were flat.

Better Sales Calls, Better Results.



"For the first time, there's a CRM platform designed for our industry; one that helps sales reps follow a process for achieving predictable results. I'm excited to partner with DMSi to develop **Building Results CRM** where the pipeline uses industry-specific terms, accounts are set up logically for contact management, and sales reporting is meaningful at the touch of a button. Mostly, I love the app for my phone!"

- Rick Davis, CEO of Building Leaders



BUILDING RESULTS CRM



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2020 EVENTS

AUG 18 – 19

LMC HARDWARE EXPRESS 2020
(VIRTUAL EVENT) lmc.net

AUG 24 – SEP 4

ORGILL FALL ONLINE BUYING EVENT
(VIRTUAL EVENT) orgill.com

SEP 1 – 30

FREE REGISTRATION FOR NAHB'S
INTERNATIONAL BUILDERS SHOW
(to be held Feb. 9-11, 2021)
Orlando, FL | buildersshow.com

SEP 1 – 3

NATIONAL HARDWARE SHOW
Las Vegas, NV
nationalhardwareshow.com

SEP 13 – 18

DO IT BEST FALL MARKET
(VIRTUAL EVENT) doitbestonline.com

SEP 16 – 18

FBMA CONVENTION AND GULF
ATLANTIC BUILDING PRODUCTS EXPO
Orlando, FL | fbma.org

SEP 23 – 25

LBM STRATEGIES CONFERENCE 2020
(VIRTUAL EVENT) lbmstrategies.com

SEP 26 – 28

TRUE VALUE FALL REUNION
Philadelphia, PA | truevalue.com

NOV 11 – 13

LMC EXPO 2020
Philadelphia, PA | lmc.net

NOV 16 – 18

EPICOR LBM USER CONFERENCE 2020
San Antonio, TX | epicor.com

NOV 16 – 18

ECI CONNECT USER CONFERENCE
Las Vegas, NV | ecisolutions.com

2021 EVENTS

FEB 9 – 11

NAHB INTERNATIONAL BUILDERS
SHOW
Orlando, FL | buildersshow.com

MAR 25 – 27

LMC ANNUAL MEETING
Phoenix, AZ | lmc.net

MAY 14 – 17

DO IT BEST SPRING MARKET
Indianapolis, IN | doitbestonline.com

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

SURVEY SAYS CORONAVIRUS COULD LEAD TO INCREASED HOME BUILDING IN SMALLER MARKETS

The COVID-19 pandemic is likely to hasten a housing trend already taking place across the nation—residential construction activity that is expanding at a more rapid rate in lower density markets such as smaller cities and rural areas. Multifamily development is also proceeding at a brisk pace in areas where education and health services dominate. These are among the findings of the latest quarterly National Association of Home Builders (NAHB) Home Building Geography Index (HBGI).

"We expect the virus could affect future housing preferences for those currently living in the hardest-hit, high-density environments like central cities and that housing demand will continue to increase in medium- and low-density communities," said NAHB Chairman Dean Mon.

"The first quarter HBGI data reveals that construction growth expanded over the last year more quickly in low population density areas than high-density regions," said NAHB Chief Economist Robert Dietz. "This trend will continue as households seek out single-family homes further from urban cores, particularly as telecommuting continues in greater numbers."

An unavoidable lesson of the public health crisis associated with COVID-19 is that major metropolitan areas faced greater challenges. High-density lifestyles, championed by some urban planners over the last decade as a rival to suburban living, proved to be vulnerable to a virus due to crowded living conditions, dependency on mass transit, and insufficient health and public sector infrastructure.

The HBGI found that even before the pandemic hit, home construction activity was increasing at a higher rate in inner and outer suburbs than in high-density markets.

First quarter HBGI findings show:

Single-family construction expanded across all seven economic geographies, posting the strongest growth (9.1%) in outlying suburbs (exurbs) of small metro areas, as measured on a one-year moving average.

Over the past year, apartment construction growth in less dense markets has outpaced expansion in larger metropolitan areas.

All economic geographies reported net growth over the past year for single-family and multifamily construction, a reminder of the momentum home building possessed before the current recession.

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

The first quarter HBGI also features a new economic geography class based on local employment in the education and health services sector (EHS). Given the public health crisis associated with COVID-19, this sector is of critical importance. The HBGI designates EHS-focused regional markets as the top quartile of counties based on this employment share (25.7% or above of total employment). These counties also make up 23.2% of the U.S. population. This analysis finds:

12.4% of single-family construction occurs in EHS markets.

18.4% of multifamily construction occurs in these markets.

Multifamily construction has outpaced single-family construction in these markets over the past year.

Multifamily construction has expanded at nearly twice the growth rate of the rest of the construction in EHS markets over the past year.

Single-family construction was growing in EHS markets, but the rate was slower than the rest of the nation.

HIGGINBOTHAM BROTHERS EXPANDING TO LIBERTY HILL, TEXAS

Higginbotham Brothers & Company has announced its expansion south to Liberty Hill, Texas. Located approximately 30 miles northwest of Austin, Liberty Hill will be the newest HBC location, a full-service lumberyard and hardware store opening this fall.

GORDON LUMBER SHIFTS FOCUS FROM RETAIL TO BUILDING INDUSTRY PROS

The leaders at Gordon Lumber Holdings Company have announced plans to enhance the company's focus on contractor building services, and close two retail locations. The company closed its locations in Huron, Ohio and Fremont, Ohio as of June 5. Remaining inventory will be transferred to the Port Clinton, Ohio store location, which will serve as a liquidation center for products through Oct. 31, at which time this location will close. The remaining centrally located Genoa, Ohio store will add employees to serve the needs of professional building industry customers at that location.

US LBM FOUNDATION DONATES TO MEALS ON WHEELS PROGRAM

The US LBM Foundation, a nonprofit organization founded by building materials distributor US LBM, has donated \$100,000 to the Meals on Wheels COVID-19 Response Fund, managed by Meals on Wheels America. The dollars donated will support the network's efforts to meet the increased demand for services, with a focus on the communities and programs in the Northeast and Mid-Atlantic.

CNRG ADDS GERMANTOWN, TENNESSEE STORE

John, Marcia, and Justin Wagner, owners and operators of Germantown Hardware in Germantown, Tenn., have agreed to sell their business and operating assets to Central Network Retail Group, LLC (CNRG), a multi-format, multi-brand retailer currently operating 110 hardware stores, home centers and lumberyards in 16 states. Germantown Hardware will retain its name and will operate as CNRG's 17th brand.

CNRG EXPANDS WITH HOME HARDWARE CENTER STORE IN ARKANSAS

Walter Morris, owner and operator of H&M Lumber in West Helena, Arkansas, has agreed to sell his business and operating assets to Central Network Retail Group, LLC (CNRG), a multi-format, multi-brand retailer currently operating 109 hardware stores, home centers and lumber yards in 15 states. H&M Lumber will be rebranded and operate as part of CNRG's Home Hardware Center brand. This is the 24th store in the brand, which is headquartered in Natchez, Mississippi, and operates stores in five states.

PROFESSIONAL BUILDERS SUPPLY ACQUIRES SOUTHEAST EXTERIORS

Professional Builders Supply, LLC has acquired a majority interest in SouthEnd Exteriors, Inc. Based in Charlotte, North Carolina, SouthEnd provides turnkey siding and roofing installations to single-family, residential builders throughout the Carolinas and Nashville. Most recent annualized revenues for SouthEnd were approximately \$100 million.

NATIONAL LUMBER HONORED BY BALTIMORE HISTORY GROUP

National Lumber, in Baltimore, has been recognized as a Legacy Business by Baltimore Heritage. Baltimore Heritage is a group that documents Baltimore's rich architectural and social heritage. National Lumber Company was founded in 1919 in Baltimore, by Alexander Fruman, patriarch to what would become a five-generation family business. National Lumber celebrated its 100th anniversary in 2019.

KODIAK ACQUIRES MANDERE CONSTRUCTION & NORTHWEST BUILDING COMPONENTS

John Mandere, president of Mandere Construction and Northwest Building Components, and Kodiak Building Partners have announced the acquisition of both Mandere Construction and Northwest Building Components by Kodiak, as of June 1. This acquisition marks Kodiak's 25th transaction. Mandere Construction and Northwest Building Components both operate from a single, 12-acre location in

BY THE YARD

NEWS FROM LUMBERYARDS
AROUND THE COUNTRY

Rathdrum, Idaho and service the broader Spokane-Coeur d'Alene metropolitan area. Together, the two companies provide wall panels and floor and roof trusses, as well as framing and installation services for single family, multi-family, and commercial construction. John Mandere will continue in his role of president and has become a substantial investor in Kodiak Building Partners.

KODIAK ANNOUNCES LEADERSHIP APPOINTMENTS

Kodiak Building Partners has announced several appointments at the operating leadership level across four of its companies:

Linda Hawkins was named as president at AO Door in October 2019.

Michael Severa became the president of Direct Lumber and Door (DLD) on April 1.

Cliff Shimer was promoted to president of American Builders Supply (ABS) on April 1.

ABS's previous president, **Mark Garboski**, is now the president of Kodiak's Production LBM Platform overseeing ABS, DLD, Christensen Lumber, and Premier Building Supply.

Michele Garrett came to Kodiak in May as president of Arizona Wholesale Supply.

Bill Parks, AWS's previous president has semi-retired and will serve Kodiak's Interiors Group as an industry ambassador.

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.



James W. Rane is chairman, president, and CEO of Great Southern Wood Holdings, Inc., which includes Great Southern Wood Preserving, producers of YellaWood brand pressure treated pine products. Rane formed GSWP in 1970 after acquiring a single facility with a few pieces of equipment in his hometown of Abbeville, Alabama. Today, GSWP services DIY retail home centers, pro dealers, and other retail building-related and industrial segments in 28 states and the District of Columbia.

Q: Times of great disruption often reveal great opportunities. What do you view as the biggest opportunities for LBM dealers today?

A: One of the lessons our industry should take from the COVID-19 outbreak is simply this: the game has changed. It has become even more important to carefully listen to what your customers are saying...and that goes beyond just understanding the products being requested. The demand for social distancing quickly caused a shift in shopping expectations and the comparative process and many dealers did a great job pivoting to meet those short-term demands with services like curbside pickup. It's hard to predict if these changes will become long-term demands, but the flexibility demonstrated to quickly correct course was truly incredible to watch. The dealers that get the service part right will be well positioned to win.

Q: A reader in a market that was severely impacted by COVID-19 shared that the one bright spot in their business was decking and outdoor projects. Any suggestions on promoting decking projects during our current environment?

A: There is no question that decking and outdoor projects were strong points during the shelter-in-place order. This trend is evident when considering the number of searches for pressure treated pine, deck building, and DIY projects. Clearly homeowners are seeking information on the projects they are planning, and dealers should position themselves as the resource for that information. It's a great time to resume, or even begin, an advertising campaign to engage users. A pay-per-click campaign on Google or a targeted social media campaign can help get you in front of homeowners and be the right resource for their needs.

Q: Following up on that question, are you seeing any early trends in deck size or design that dealers should be aware of?

A: For several years now we've been closely watching a trend of homeowners placing an increased importance on their home's outdoor space and a desire to create their own five-star backyard. To get the most out of their investment, homeowners are researching their projects online before they start the shopping process. This means they are coming to your stores better informed

than ever before. They arrive well-versed in grade options and specialty features like factory-applied water repellents and they understand the benefits of building with a deck board that has been kiln dried after treatment (KDAT). There will always be a market for standard grade decking, but dealers who get ahead of the curve and make it easier to order higher grade products stand to capture vastly improved margins.

Q: According to NADRA.org, it's estimated that 30 million decks in North America are past their useful life and in need of repair or replacement. What role should dealers play in this important deck safety issue?

A: Communicating the need for a deck maintenance program is always important when working with homeowners both during the building process and afterwards to help keep it in the best shape possible. Building upon that, communicating the benefit of annual reviews of the deck each spring can help to assure the safety of their decks. Checking that the ledger boards and joists are structurally sound is a great place to start but the safety check should extend to the railings and stairs too. This is also a great time to replace loose fasteners and split boards as well as applying a fresh coat of water repellent. A simple regimen of solid communication with customers can help head off potential issues.

Q: The world of treated wood has changed significantly since Great Southern Wood's launch in 1970. As the company celebrates its 50th anniversary in 2020, what should dealers expect from the company moving forward?

A: There's nobody I admired more than my father. Many of the values he taught me growing up have become a part of our company. One of his favorites was: "If you're ripe, you're rotting. If you're green, you're growing." We've made it our mission at Great Southern to stay "green" by constantly evaluating new products and never ignoring opportunities for growth. That's how we've grown from a two-man operation five decades ago into the leading producer of pressure-treated pine in the nation. In the end, you can expect us to be around for another 50 years and we'll never waver in our promise to help your business stay green too. ■



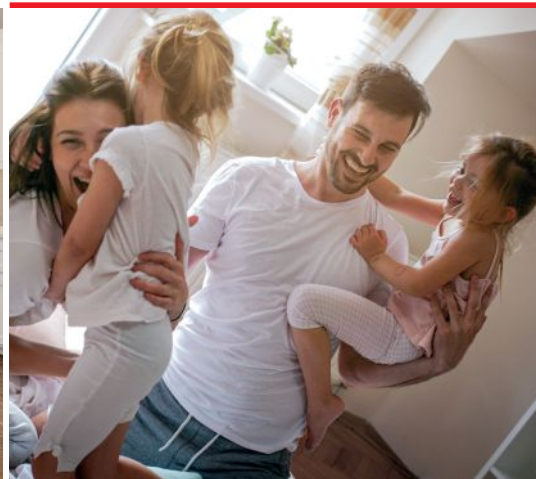
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Short-handed? Keep your eyes on the metrics

BY BILL LEE

TO BE EFFECTIVE at what I do for a living, I have learned to step back from the LBM business I am working with and look beneath the surface, so to speak. In other words, I've found it's more eye-opening to examine why a business is achieving a given result and not focus on the result alone.

Since gross margin is the metric that I have perhaps had the most success with improving, and it is a factor that is incredibly important to an optimal bottom line, I'm going to use gross margin as one of my metrics.

For example, I must do enough research to understand why a competitor is achieving two or three more margin points than my client when they have a comparable customer mix and product mix. It is not unusual to observe variances this wide.

A similar variance is also not unusual for operating expenses as a percentage of sales.

At this particular time in the life of an LBM business, owners, managers, salespeople, etc., cannot predict what they are going to be asked to deal with next. The government's decisions are frequently tied to either the state's (or a piece of geography within the state's) latest COVID19 statistics, so predicting next week's or next month's rules are a crap shoot.

One key is maintaining a chart that management can use to record what sort of measurable productivity the business is achieving with varying allocations of personnel. Analyzing this productivity measurement tool helps management determine at what personnel allocation level they can achieve optimal productivity.

The chart might include the following gross margin measurements:

- Gross margin by salesperson.
- Gross margin by salesperson on special order items that account for 80% of special-order sales.

- Gross margin by individual SKUs that make up 80% of total sales.
- Name the salespeople with pricing authority who in the last 12 months have NOT been tested on how effectively they respond to various types of price objections.

While the above metrics are often routine for LBM businesses to monitor, I have observed that since the coronavirus hit, normal routines have been turned upside down to the point that it's not unusual for other priorities to cause management to take its eyes off the ball, so to speak, and fail to concentrate on the factors that affect gross margin.

With regard to operating expenses as a percentage of sales, how has your company's efficiency been affected by the juggling of personnel working in the business to working from home? In some cases, we've found that efficiency has increased, but in others just the opposite is the case.

An example is the percentage of your drivers' time that is spent on the road versus the percentage of unproductive time drivers are spending waiting for their truck to get loaded.

Another is looking at returns as a percentage of sales. Are loads being checked as thoroughly as they have been in the past? The answer to this question is often revealed by focusing on how returns are tracking.

From my perspective, I am extremely proud of the speed and the diligence with which our industry has responded to the unexpected curve ball that was suddenly thrown at them. There is no doubt about it, LBM business leaders have proven that they possess the agility to adjust rather quickly to rapidly changing systems and procedures.

Personally, I'm not wishing for a "new normal." Returning to the old normal will suit me just fine. ■



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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Lean on Us.

Take ownership of credit

BY RICK DAVIS

IF YOU HAVE BEEN ATTENDING any of our *LBM Journal* webinars, you have heard from the credit expert in the LBM industry, Thea Dudley. She is also a columnist for this magazine. At her website, creditoverlord.com, she states, “Your credit department should support sales, not prevent it.” This is why I am writing about credit this month.

The challenge for our business is that credit and sales are deemed separate “departments.” Sales is the process of cultivating new business and, after the fact, credit is the department that later ensures bills are paid. Credit should be part of the sales dialogue and, both Thea and I agree, an aspect of client interaction to be planned before the heat of battle.

Instead, salespeople view the discussion of credit as an awkward invasion of customer privacy. They see the dialogue as something to be handled by the “sales prevention department,” and often criticize when things don’t go as hoped. The result is a salesperson who argues passionately for credit leniency, thus placing the credit manager on the defensive by creating tension in the credit dialogue.

Great sales leaders, on the other hand, treat credit as an integral part of the sales process rather than an obstacle to success. They are confident that good customers understand the importance of discussing payment terms. Sales leaders produce credibility within their organizations by being the ones who handle the delicate subject of credits and payments with grace and efficiency.

Here are four tactics that will make you a stronger sales leader and manager of credit.

1. CHANGE YOUR MINDSET

Credit is an expectation that contractors assume is part of the service. Unfortunately, many find it insulting when their credit credibility is doubted. Remind buyers that you are taking a significant financial risk with every

delivery and have a value statement to back it up such as, “You wouldn’t expect a bank to give you a loan on a house without an in-depth review of your finances, would you? So help me to help you communicate with my team and get you the credit you need.”

2. FORMALIZE DELIVERY OF THE CREDIT APPLICATION

Salespeople have long been taught to casually “drop off” a credit application early in the process. Instead, try scheduling a meeting to formally discuss credit review, payment terms, and your client’s expected financial needs. This creates a great sales dialogue about potential volume and future business while also clarifying expectations down the road.

3. DELEGATE THE DIFFICULT DIALOGUE

I get that some small business owners do not want the sales representative to know the details of their buying financial strength. Thus, the prepared sales leader connects the buyer and credit department prior to the sale to discuss financial statements, issues surrounding personal guarantees, and other sensitive information the buyer wants to keep private.

4. SELL WHAT YOU GOT

The best credit relationships occur when you get customers to pay within your standard terms. I’ve worked with dozens of dealers who offer far too many special exceptions to their standard credit terms. Great sales leadership is not creating a new rule for every customer, but instead getting them to do business within your standard terms.

If you want to create customers who enjoy working with your credit department, then take ownership of the process. It’s the path to credit credibility with customers and your organization. ■



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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Steps to take when a superstar employee doesn't return

BY RIKKA BRANDON

AMID THE CURRENT COVID-19 pandemic, many dealers have had to lay off or furlough employees. If you're one of them, hopefully you took steps to encourage their return once the stay-at-home orders began to ease. Even so, there's a chance you may have some star employees who decide not to return.

Losing a stellar team member, regardless of the circumstances, can leave you with a range of emotions and a lot of questions. Here are a few strategies for how to handle the situation—and how to learn for future recruiting and hiring success.

1. DO DAMAGE CONTROL

Did you handle the conversation poorly? If so, take steps to fix the damage so you're not burning bridges. Apologize, in person, by phone, or even by email. Use "I" statements and accept ownership of your response and that you're not proud of how you handled it. It doesn't need to be a long apology, just something to get the conversation started and to begin repairing the relationship.

2. LEARN WHY THEY'RE NOT RETURNING

In some cases, the reasons may be cut-and-dried: They found a new job after they were laid off, and they're enjoying it. If not, it may be helpful for your future hiring to learn why they decided not to return. It may be simply because they have a bad taste in their mouth from being laid off. Or it may be because they were already thinking about leaving and seized the opportunity to do so. Try to conduct an exit interview to uncover reasons that might impact your ability to hire and retain other employees.

Here are some questions to ask when your employee resigns or lets you know they won't be returning:

- What are your plans?
- Would you be willing to share "why" we lost you? What made the new opportunity more appealing than returning to work for us?

- What could/should we have done or tried to do that would have stopped us from losing you?
- If you could change anything about your role or our company, what would it be?
- Were you satisfied with the way you were managed?
- Would you consider coming back?

3. COMMUNICATE CLEARLY AND ALWAYS SHOW CONCERN

Communication is more important than ever with the uncertainty about COVID-19 and the economy. Communicate as clearly and as consistently as you can with everyone who is impacted by the departure inside and outside the company. Not just the basic "John is no longer with the company," but communicate the value the individual had, the fact that they will be missed, and that you have a plan to fill the gap they're leaving. The intention is to address the loss and then share the path forward.

4. SEIZE THE OPPORTUNITY TO CREATE MORE CLARITY AROUND THE DEPARTING EMPLOYEE'S ROLE

Chances are your business has changed since this person took the job. Instead of simply dusting off an old job description and scrambling to hire, look at the current business needs and hire for those. In previous columns, I've stressed that job searches should start with "getting clear." By determining, ahead of time, whether and why you need this role, what its responsibilities will be, and what results you expect from the new hire, you can create a stronger job description that sets expectations and objectives clearly upfront.

The unexpected departure of a great employee is a blow to any company. Take a deep breath and lead with your head rather than your heart. ■



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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Don't overlook the obvious

BY RUSS KATHREIN

WITH THE ECONOMY essentially put on hold from the pandemic and sales being affected, it is natural that we all are looking for ways to sell more products to more customers. Some of us are looking at new product lines we can expand into, others might be looking at new market segments. Either way, we all are looking for ways to grow our business during a time when we see demand decreasing. Sometimes the answer is right in front of us.

How often do we look at our business from the data that we know and make a judgment, when it is the data that we don't know that may change our minds? Our company was relatively satisfied with the inquiries we were getting from our website. We looked at the volume of inquiries and our total consumer sales and quickly judged them to be okay, but not something to get excited about. We figured we were not in a segment that would do a lot of consumer business online, so we didn't pay much attention to it.

Once the COVID shutdowns started affecting our employees, I found myself receiving all of the web inquiries. I worked out getting them to the right people, but I decided to keep getting copies of the inquiries because they were a fascinating view of what people wanted to buy while we were cooped up in our homes. I started asking questions about how we handled the inquiries and found out that while we tracked how many came in, we did not track how many became orders. When I started talking to the employees who had been in contact with the customers, I was informed that on certain lines we always seemed to be priced too high. So, I dug a little deeper and concluded that while we spent a great deal of time worrying about our builder pricing, we had not really reviewed some of our consumer pricing since the system was first set up. Turns out, some of the products we sold competitively all day to builders were, when priced for consumers, 60% higher than what could be found online from a home center. An obvious mistake.

We had been content with getting a little consumer business when it turns out we could

have been getting a great deal more, if we had spent some time maintaining our consumer pricing. We knew how much business we were getting, but we had no idea how much we were NOT getting, even when we had the customer essentially inside the store. Our problem was we did not know what we did not know. Now that we had an idea of the problem, we could start tracking our web quotes to validate the opportunity. It has become a project that I am personally involved in because I want us to focus on getting this right. We all know it is easier to sell more to customers you are engaging with than it is to find new customers to sell to. This is one of those instances.

Many of us will have "share of wallet" initiatives with our salespeople. We usually point out what our existing customers are not buying from us, then encourage our salespeople to try to sell their customers on those products. When was the last time we went out to our good customers and asked them why they don't buy certain products from us? I found out that, while our deck builders were very loyal to us for the decking and railing, some were buying their hangers and post bases in bulk online because they used a lot of just a few products and they paid a lot of attention to the price of something that was a blind item to many of our customers. So, we plan on putting in special pricing on those few items to those customers, and with the increased sales, we can buy those products more effectively in bulk.

We may be spending a lot of time and brain power trying to figure out how to sell more stuff, but are we asking the questions about why our existing customers don't buy our stuff? Often, it is not about price. Sometimes it is perception, other times about service. It can also be about convenience. Ask anyone planning a picnic, and they will tell you that if they can find the baker who, instead of selling hot dog buns eight to a pack, packages their buns 10 to a pack to match up with the 10 hot dogs to a pound packs that we buy, they will have our business. Sometimes it just means asking the right questions and not overlooking the obvious. ■



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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Five steps to cashflow nirvana

BY THEA DUDLEY

DEAR THEA,
Fellow credit manager here in the industry. We frequently are in the position of having to draw against our line of bank credit. Our sales are good, but we find ourselves in the position of financing our customers much longer than we originally offered. When I bring this up in sales and finance meetings, I get a lecture on how we need to be there for our customers, or they won't be there for us. Does no one but me see how this impacts our cashflow because our customers can't manage theirs? A little insight here please!

— Smartest guy in the room in Sioux Falls

DEAR SMART GUY,
Lack of cashflow is one of the top three reasons businesses fail, along with poor management and partnerships. I would add "making someone else's problems your problems" to that list, which is what you've got going here.

Let's make sure we are all on the same page when we are talking about cashflow. To clarify, there is cash, and there is cashflow. Cash is what you have sitting in the bank. Cashflow is how the money is coming in (collecting) and going out (spending). Is it coming and going at the same rate or is more money going out than coming in?

I get to have these conversations often with companies. Here's an example:

"Thea, I am making a profit and I have assets (accounts receivable), but I don't know why I have a cash crunch."

My response is usually "The job may be profitable on paper and you may have accounts receivable, but neither of those things are cashflow. You cannot pay bills with them in their current state."

First things first: Admit you have a problem. If you are delaying filing your company taxes, late with your suppliers, juggling who gets paid this month, or struggling to make payroll, your cashflow stinks. Making ends meet should not be part of your daily business routine.

These reasons are relevant if you are a two-person shop or 200. It's all the same, just on different scales. Now that you have admitted you have a problem, let's start you on your five-step program to cashflow nirvana.

1. Not treating OTC as an entire company focus. What do I mean? Everyone in your company should be aware of how you go to market. From sales to your back office, everyone should know this process because it is how you get paid. Relate it to the paycheck and the light bulb goes on. Is the billing correct and on time? Did you follow up on the job and eliminate any potential issues? By potential issues I mean eliminating reasons for someone not to pay you. Did sales clearly communicate what and how payment is handled? How to fix: Educate and train everyone in your company on how your billing and collections work and what to expect.

2. Not having a credit and collections policy. A common mistake in small to mid-size companies is that they take a "roll with it" approach. It leads to confusion. When do you put an account on hold, file a mechanics lien, or use joint checks? When does it go to outsourced collections? Do your sales and accounting teams know what to expect on past-due accounts? How to fix: Write a quick, down-and-dirty set of guidelines. It does not have to be a thesis; you can cover the basics and help keep that money flowing.

3. Not staying on top of your receivables. In other words, not staying on your collections. When do you start calling for money? One day past due? Seven? If it is 30 days past due and you are just then calling, that is a big part of your cashflow issue. What I hear from contractors the most is that they don't want to look like they need the money, and they don't want to offend their customers. Seriously? I have worked with some big companies and I never had a problem calling and asking. That is how we pay our bills. And put that shoe on the other foot. If you committed to putting a roof on a house, did you tell them you would be there sometime between now and 120 days? Train your customers how to treat you. Make it not ok to not pay you.

4. Not protecting your receivables. You don't check out your customers prior to agreeing to the work, you don't utilize mechanics liens and bond laws to your advantage, or leveraging joint checks or your contracts. How to fix: Start utilizing those options. Look at how to protect each sale. You have to ask yourself, if this deal went south and I never collect on it, would it put me out of business? It makes it easier to implement preliminary notices and joint checks and cross items off of contracts.

5. Poor billing practices. Not getting your billing done the same day/next day of the job is another way to hijack your cashflow. If you invoice a week or two late, or miss a deadline for submittals, you are giving customers additional time to pay you. You're also giving them time to find fault. As a customer, if you can't get your invoice to me within a day or two of

the work, why should I worry about getting you paid on time? Besides, if you are this bad about getting invoicing done, you probably won't notice when I pay you really late. You don't appear to be paying attention to details. How to fix: Invoice daily and send statements monthly. Email all invoices and statements. It saves both time and money.

BONUS: Not growing your back office at the rate your sales are growing. You'll need the right people in the right role. Get a credit professional to collect your money. Have a professional bookkeeper and accountant for accounting and invoicing. Just because your wife, daughter, or friend's kid needs a job doesn't mean they are a good fit for your business. Hiring someone because they were an office manager once doesn't necessarily mean they have the skills your business needs. What did they actually do? Be sure to check their references. The back office is basically your cashflow, so you should care who is billing, who is tracking, who is collecting, and how that is happening.

I am not saying your company has a problem with cashflow and these are your issues. It appears you have a line of credit to draw on to cover your proverbial tail. Your customers... well that's another story. Use the down-and-dirty tutorial above to help educate your team and push the message out.

In other words, smart guy, drink some coffee, get your boots on, put on some George Strait, and get your message out. If you ruffle some feathers, congrats! It means you're making progress...and people are listening. ■



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

What is a recapitalization and how does it differ from an acquisition?

BY JOHN WAGNER

A **RECAPITALIZATION** of a company (a.k.a. “equity recap”) is different than an outright acquisition. In an acquisition, the sellers of a company being acquired (call it OldCo) sell 100% of the shares of their company, while the new owners take 100% control. The legacy owners of OldCo might become employees of the NewCo company, if they are invited and wish to stay with the business.

On the other hand, in an equity recap, the OldCo owners take an equity interest in the NewCo created by the acquisition, typically a minority position. Equity recaps are used when a private equity investor wants to involve OldCo’s shareholders to grow NewCo. The private equity investor allows OldCo’s team to run NewCo, leveraging their expertise with customers, vendors, and employees.

An equity recap provides the sellers of OldCo with a significant “liquidity event,” e.g. cash in their pockets upon sale, along with the potential for an additional liquidity event (a.k.a. “a second bite at the apple”) down the road, because they’ll own shares in NewCo, all

while NewCo’s investors provide the financial resources to grow.

For example, say a company sells for \$21 million, which is a 6X multiple of \$3.5 million in EBITDA. But the sellers of OldCo don’t take all the cash out of the deal. They reinvested (roll-over) \$4 million into NewCo. That \$4 million roll-over reduces that cash required to purchase OldCo, so OldCo’s shareholders received \$17 million in cash, as shown in **TABLE 1**.

Private equity groups rarely just write a check for the total enterprise value (“TEV”) of OldCo; instead they blend cash, senior debt, and mezzanine debt. This “leveraged debt” is put in place so a substantial part of the purchase price is paid out of the future proceeds of NewCo. In the example shown in **TABLE 2**, 52% of the purchase price is leveraged debt, made up of senior debt (47%), and mezzanine debt (5%). We are using these percentages because this is the average leveraged debt being placed on lower-middle-market deals today, as reported by GF Data, a highly reliable private equity group deal-tracking database.

TABLE 1

OldCo sold for \$21 million, based on 6X \$3.5 million EBITDA, and OldCo is sold on a “cash-free/debt-free” basis. OldCo owners roll-over \$4 million in shares into NewCo. They now retain 39.7% interest in NewCo.

VALUATION

TTM EBITDA	\$3,500,000
Purchase price EBITDA multiple	6X
TEV (purchase price)	\$21,000,000
Equity value	\$21,000,000

PROCEEDS TO SHAREHOLDER

Equity value	\$21,000,000
Gross proceeds to shareholder	\$21,000,000
Less reinvested roll-over	\$4,000,000
Net proceeds to shareholder	\$17,000,000

TABLE 2

Senior debt is funding 47% of the transaction with \$9,870,000 of debt. That is equal to 2.8X EBITDA. Mezzanine debt is funding 5% of transaction, with \$1,050,000. The private equity group invests \$6,080,00 for 28.95% of the transaction, and they retain a 60.3% equity position in NewCo. The rolled-over equity of \$4 million funds 19.05% of the transaction, and the previous owners retain a 39.7% interest in NewCo.

SOURCES & USES OF FUNDS

SOURCES

Senior debt	\$9,870,000	47%
Mezzanine debt	\$1,050,000	5%
Private equity group	\$6,080,000	28.95%
Reinvested roll-over equity	\$4,000,000	19.05%
TOTAL SOURCES	\$21,000,000	100%

USES

Purchase price	\$21,000,000
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Now let's take a look at what the previous OldCo owners achieved with the recapitalization of their business:

PRO FORMA EQUITY

Private equity group	\$6,080,000	60.3%
Reinvested roll-over of equity	\$4,000,000	39.7%
Total equity	\$10,080,000	100%

Just to review: The OldCo sellers sold for \$21 million and rolled-over \$4 million into NewCo. The OldCo seller had a \$17 million liquidity event, or 81% of the purchase price. Since the sellers invested \$4 million into NewCo, they own 39.7% of NewCo, along with the private equity owner, which owns 60.3%. Next, since private equity groups typically hold their acquisitions for three to five years, we will assume that NewCo will grow in that time, fueled by the private equity resources. Accordingly, there is a substantial likelihood for a "second bite of the apple" liquidity event, when NewCo seeks new ownership.

If NewCo's EBITDA grew 15% a year for 3 years to \$5.3 million, the business would be worth \$31,800,000 based on a 6X multiple of EBITDA. Even if the senior/mezzanine debt load remained the same, the net proceeds from the sale of NewCo (purchase price minus the senior and mezzanine debt) would be \$20,880,000 for the NewCo shareholders. With a 39.7% stake from the previous sale, the OldCo sellers' stake would be worth \$8.3 million. For their initial roll-over of equity of \$4 million, they more than doubled their money in three years. Beyond the salary and bonuses they received during the three-year period, their equity grew at \$1.4 million per year for the three years.

There has never been a better time to do a recap for both sellers and private equity group buyer. With interest rates on senior debt at historical low levels, it means owners can get a lot of leverage on deals with cheap money. So, we expect to see a flurry of recaps in the near-term. ■

The profit breakdown: product categories

BY SHANE SOULE

HOW ACCURATELY can you determine how much profit you made on the last job you shipped? We tend to lump together our sales, costs, and profitability, while justifying whole areas of our business with a “gut feel” for its performance. Distribution can also benefit from understanding the metrics we are exploring today. In this article, we dive into the deep end and look at how to view your product categories as smaller “mini businesses,” so you can improve the bottom line.

For many LBM dealers, the default and base product categories are wood products. As our industry has evolved, many of these lumber companies have started selling much more than just lumber. This expansion has increased their market opportunity while deepening relationships within their customer base. Their main business remains wood products, but these other products are still treated as add-on sales. If we look deeper at the profitability of the different product groups, we may start leading with them and find out it's often the base categories of wood products that become the true add-on sales.

Let's look at an 1,800 square-foot ranch and really examine what our opportunities look like. Assuming, for this example, that you offer framing, windows, exteriors, interiors, and cabinets, we can figure its actual sales potential, shown below.

In doing a profitability analysis, there's quite a bit of variance in margin between the product categories.

Margin: I used a composite of margin averages across companies I've worked with, and as you can see, framing has the least amount of margin opportunity, and it's 11% to 14% less than the interior products.

Delivery: Framing packages require more trips to a jobsite than other product groups. They also require more credit pickups, which cost even more than deliveries when you take restocking, loss of original sale, and damaged products into consideration. Framing packages require larger Moffett trucks, which are a much higher burdened cost-per-hour than box trucks or 1-ton deliveries. The shipping cost variance for framing is generally 4% to 6% more than that of windows and cabinets that require one or two deliveries on average.

Combining a lower margin structure with a high shipping cost, you realize the margin after delivery has a much greater variance than what first appears from looking at sales and margin alone. The scary part is how many companies are losing money on framing packages. It's covered up by higher profit margins from other

product categories, and they don't even realize it.

Here are a couple recommendations for any LBM company selling multiple product categories to help them analyze their business and make decisions to improve the bottom line.

1. CREATE PRODUCT CATEGORIES

Examine what products you typically sell as part of a house package. This generally can be considered a product category, such as framing, windows/doors, siding/decks, roofing, drywall, interior trim/doors, kitchen and bath, etc. Try to limit this to three to eight categories for simplification and for tracking.

2. ANALYZE MARGIN AFTER SHIPPING COSTS

Shipping has the largest variance of all of your cost groups and can vary largely by product category, customer, and even sales rep. You can learn a lot about the cost to serve a customer just by focusing on the actual shipping costs per order.

Track actual shipping costs by delivery:

This data is available in your GPS software and can be gathered by your ERP software. Calculate your average expenses per hour for your fleet including all burdened costs of labor, depreciation, repairs and maintenance.

	FRAMING	WINDOWS	EXTERIORS	INTERIORS	CABINETS
REVENUE	\$27,000	\$12,000	\$15,000	\$8,000	\$12,000
MARGIN %	24%	27%	26%	35%	38%
SHIPMENTS	6	1	3	3	1
TRUCKING (PER HR)	\$140	\$85	\$85	\$85	\$85
SHIPPING COST	\$1,680	\$170	\$510	\$510	\$170
MARGIN % AFTER	17.78%	25.58%	22.60%	28.63%	36.58%

After combining data from your ERP and GPS software, pull historic data to compare to your calculated hourly rate and gauge accuracy.

Create SmartViews analyzing margin after shipping:

Review this metric at the product category level to quickly evaluate easy changes you can make to improve profitability. This can also be drilled down to margin percent per customer, per product category, to understand where to put more resources and/or raise prices.

There is no quick fix for increasing your non-forest product sales. It starts with a change of your ideology, understanding, and approach to your business.

The catalyst for change will be thoroughly understanding your profitability in more detail and its momentum will grow once the tangible increases to ROI occur. I'm looking forward to itemizing tangible steps in my next article to diversify your non-forest product sales mix and your profitability. ■



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WORKING WITH ARCHITECTS

BY TOM ZIMMERMAN

Many salespeople spend a lot of time working to grow their network while doing very little to grow their sales. Much of their energy is spent hunting for the decision-maker for a builder or remodeler, while others network through associations to try to make new connections. While these efforts can be effective, they require a good level of cold calls, rapport-building, and needs-identification before any revenue can be realized.

Many of the efforts are aimed at builders or remodelers. From my experience, most LBM salespeople overlook architects. As you'll see, I view this as a missed opportunity. Throughout my career as a manufacturer, I have invited countless dealer salespeople to join me for architectural meetings. Many salespeople, frankly, don't see how an architectural meeting, or a Lunch & Learn training session, is a good use of their time nor how it could translate into new sales opportunities. That's a mistake.

On the surface, an architectural meeting can be viewed as a one-sided meeting solely aimed at the benefit of the architect. The architect receives an education about a product, a CEU credit for their license, and a free lunch. The presenter gives their time, buys the lunch, and provides the training—while getting nothing tangible in return. With this perspective, it's easy to understand why a dealer salesperson would view this as a waste of their time.

However, with the right approach, meeting with an architect can be quite rewarding for a dealer salesperson. To start, the dealer salesperson needs to embrace the fact that the architect is influential with the builder. When an architect makes a recommendation, whether the builder likes it or not, they give it credence, consider the recommendation, and move forward accordingly. Being recommended by an architect is a good thing. So, how do you gain an architect's recommendation?

To start, be sure that you approach the meeting with a plan of what you want to accomplish. This makes the meeting mutually beneficial for both you and the architect. From my experience, five key things to put on your meeting plan are:

1. Display a genuine interest in the projects the architect has worked on.
2. Strive to have the architect show you a series of the projects.
3. Ask questions about each project, the challenges they faced, and the builders that built them.
4. Offer to bring information on additional products or services back to the architect, ask what would be of interest. Learn what you can do to help them. Then do it.
5. At the end of the meeting, request names of three to five builders that the architect thinks would be interested in learning about your services, or the product that was represented during the meeting. Making a sales call on a builder based on the referral of an architect can open new doors

With this approach you will have an insider knowledge of projects, opportunities for specific product applications, an open door to come back to meet with the architect again, and a list of warm builder referrals from a respected source. Now take the initiative and follow-up accordingly, as one architectural meeting can generate a long list of opportunities for new sales.

Since many LBM salespeople turn down the opportunity to meet with architects, this could be a powerful tool to help you create separation with your competition. Indeed, instead of waiting to be invited, you may want to seek out your manufacturers and ask to join them on future architectural meetings. ■

Tom Zimmerman has over 17 years of experience in helping create and launch brands, accelerate the sales of existing products, develop teams and sales processes while driving value through the execution of commercialized strategies. Learn more at shift-stc.com or contact Tom at tzimmerman@shift-stc.com.



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REAL ISSUES. REAL ANSWERS.



The pandemic has thrown a wrench into the LBM distribution channel. Instead of relying on projected business and forecasts, dealers and distributors are unsure which products and materials to purchase and in what quantities, and how to strategically manage inventory levels. That's why the topic of this month's Real Issues survey, which was posed by multiple readers, is:

INVENTORY LEVELS AND BUYING SMART

HOW WOULD YOU ADVISE THIS DEALER?

"One of our biggest challenges is knowing how much material to buy and when to buy. With some mills shutting down due to the pandemic, supplies are tight and material prices are rising, giving us a two- and sometimes three-tier market. We used to base purchases on projected business and forecasts. Now we're trying to figure out where business is headed, and how to be smart about our buying and our inventory levels. How are other dealers dealing with this situation?"

BY LBM JOURNAL READERS

DEALERS AND DISTRIBUTORS

"On items that have been tough to get we are buying everything that comes our way. I would rather be overstocked than trying to sell from an empty cart."

"We are still trying to buy as needed/ projected and allowing for price increases and shipping delays."

"We have decided to buy conservatively. If it means buying more often, we at least have a tighter grip on the reins to not overbuy in anticipation of 'hopeful' sales."

"We're running into the same thing. My advice is to talk to as many people as possible. Expand your network to include real estate professionals and other trades, not just those in the building material business. Reach out to your colleagues both locally and nationally to see what they're hearing. We were experiencing a shortage of a certain product recently, so I went to LinkedIn and searched for fellow alumni from my college who work for that manufacturer. I found five people and I had answers within 24 hours (not necessarily the ones I wanted, but at least I knew what to expect). Communicate with your customers about potential shortages early and often so it isn't unexpected when something doesn't show up."

"This seems to be an industry-wide issue from what we can see. Knowing when and where to buy is so tricky right now due to the volatility of the market. We've worked really closely with our pro guys to try and figure out their future purchases with us, so we can make better decisions for our purchases."

"Maintaining reasonable levels of items that we know will move day-in and day-out. Ordering slow movers and special-order items as needed. Sourcing some items from secondary sources that can ship quicker at a higher cost, which we sell at slightly lower margins."

"We buy as much as we can afford. Costs are only going to increase."

"I'm relying on my major contractor accounts to tell me how many confirmed jobs they have. After I cover those materials, I monitor the buying strengths of my walk-in cash business. Neither of those have really slowed for me, so my tactic is to guard my inventory and buy conservatively in the rising market to make sure I don't have too much inventory when prices begin to fall. With mills controlling the supply chain, I do my best to be transparent and keep customers informed. I'm also talking with my main lumber suppliers at least twice a week to keep informed. In the end, the best advice is to take care of your loyal customers and hang on tight!"

"It all comes down to cash-flow. What are your accounts receivable (AR), accounts payable (AP) plus operation costs? If you have good current AR and AP, load-up on materials if the market is low, but if AR is slow and AP is lagging, watch your cash-flow. And it is very important to talk with your customers and see what they have in the pipeline for upcoming projects. Are they busy or do they see a slowdown? A 10% GM on sales of 500/m is better than 10% on 300/m."

"Buy what you need short term, with no speculative purchases. Limit your quote exposure to two weeks (easier said than done)."

"We were poised to deal with this and have been always ready for this type of situation. We work strongly with and are committed to the livelihood of our vendors. We are true partners. So, when inventory is scarce, we are still able to obtain it because we have never paid a bill late in our 86 years, we treat our vendors as family, and we work at these relationships. They are just as vital as customers to our well-being."

"We make an educated guess at the items that we think will always be in demand, then take an optimistic guess of what the demand for those items will be, make the required purchases, then pray the 'wheels don't fall off' and we end up with a decent market. It sounds simple but it's really just gambling."

"In a market like this, we don't speculate. We only buy what we need. It's like trying to time the stock market. Leave that to the pros."

"Stick with your purchase history, get feedback from your suppliers about anticipated supply chain issues and make your decision from there."

"We have been fortunate in that business has been quite good through this entire stretch. Buying has been challenging due to reduced availability, but now is when relationships built with our suppliers and an excellent pay history pays dividends. Where business is going from here is the most difficult part of the equation, and we are as unsure as everyone else."

"Don't buy any more than you can absorb within 30 days. When this market turns, and it will, it's going to fall hard and fast."

"We are keeping six weeks of lumber and panels on the ground or in the pipeline due to lead times and shortages. The reason for this strategy is that we are very busy at present and business looks promising at least for the next quarter or so."

"Still trying to produce turns with just-in-time ordering when possible. Also trying to keep levels low to prepare for the price correction that is to come at some point. However, recognizing when we get the opportunity to buy hard-to-get items such as finger-jointed or Yellow pine, you need to make a buy to keep your customers going. We find our customers are more willing to pay the higher price than not have material at all."

"We are members of NRLA, EBMDA, HBA and NARI. We lean on other group members to see what their thoughts are. We also use our membership in those industry groups to challenge legislators."

"Buy as needed with an inventory level high enough to sustain larger than normal demand, but not too great to be hurt by falling prices." ➤

"If supply is there, buy now!"

"If you have many years in the business, go with your instincts. If you're not a member of a buying co-op, join one that fits your business. I'm a member of LMC. The commodity buyers are knowledgeable and are talking to mills every day. Good resource to use when also dealing with wholesale or office brokers. I base my buying on business expectations and buy heavier when we see shortages."

"Lots of communication with our sales staff and our customer base. This situation is something we've never had to deal with, so constant communication is a must. We had conference calls every week to evaluate the pulse of the business. What we've found out is that having the inventory to supply our customers is huge. Price or the competition was not in the equation."

"We are constantly talking with our contractors to see how they are doing, what's coming up, and what their year is looking like. We also can somewhat gauge our demand by the quote volume at our truss plant. We are using a guarded approach with projections, as much of that is now unknown."

"We are using the same forecasting models we always have and are adjusting our lead times on getting the product to us on a daily basis. Just staying in tune with lead times is a full-time job, but necessary in today's market."

"There is a pent-up market. We are forecasting a boom economy. Buy, buy, buy. Cause you're going to need it to sell."

"Any product is getting tough to find, regardless of price. Even nails and screws. Take what you find when and where you find it. You may not get it later."

"We are covering about 50% of our order file as we believe it is at risk of shipping late or not at all."

"In the current environment, I would keep a low basic level of inventory, cover longer projects, and buy hand-to-mouth."

"We are maintaining our inventory levels at the same level as before COVID-19. Our biggest issue is the huge fluctuation in lead times. We are having to buy our project work two- to four-weeks out over normal times."

"Let your customers know that inventory is a serious issue and they need to plan ahead."

"Stock up. The food chain is getting tight."

"Our business has not yet dropped significantly, so we continue to buy, and our inventory levels are at maximum. I think the building industry will pick back up, and I would place my bets on having the inventory in stock to be prepared for the uptick, especially as some supplies are tight with prices ascending."

"Simple, you need to get your sales staff together and request they get the next 90 days (at least) of 'sold' business written up and allocating your inventory. We're often contracted for projects that will take months to build out and don't always have the entire project committing our inventory. In times like these, it's critical you see what's ahead of you. Beyond what's sold you need to anticipate seasonal swings and hope for the best. Until crystal balls are commonplace, there's a little bit of speculation on your part as a buyer."

"Use your best judgement. Get as much information from the sales team and try your best to match inventory needs for at least six weeks. This is not the time to go deep with speculative purchasing. If you have to quote several months out, make sure to add enough margin to help lower the risk."

"I have personally called our large builders and communicated the supply chain issue."

WHOLESALE DISTRIBUTORS

"Buying just-in-time is temporarily suspended. Identify the A items and plan to buy narrow and deep. For the B and lower items, depend on local distribution."

"Advice: For every product line, contact your best one or two suppliers and ask their advice. 'What do we need to buy now so that we are not out in the next 3-6 months?' Forget just-in-time delivery. Put as many dollars into inventory as you can. Partner with your banker for a low interest inventory loan if you don't have enough internal cash."

"We have made the decision to purchase at levels to support revenues pre-COVID. We are a wholesale distributor, so we supplement mill purchases for our dealer customers. We feel we will become more important in the supply chain to our dealer customers who buy JIT and keep stocking levels low."

"Wise dealers should be working more closely with wholesale distributors, as we continue to carry inventory to bail everyone out when times are uncertain. However, when things are rolling along, we are soon forgotten! Bitter? Maybe a little, due to the lack of loyalty of some dealers. You know who you are!"

"As with all recessionary periods, 'cash is king!' Retailers reduce their inventories to free up credit lines and look to their local distributors to fill their needs. If you have a strong balance sheet, I would tend to invest it in specialty product inventories. Commodities are a different issue as prices will likely remain extremely volatile. We are already seeing signs that housing will likely stay strong through the downturn and interest rates will remain very low. Unlike the 2008 recession I believe that housing will lead us out of the current recession as there is plenty of demand. I say invest in inventory if you have the cash and credit line."

“Try to stay a month ahead.”

“Buy as much as they can early. Dealers are aware of paying the higher price, but they are continuing to pay the higher cost and passing it to the contractor or end-user.”

“Transparency. We are communicating with clients and potential clients—especially those with larger projects—in planning. All of our customers know what’s going on with COVID and now the protests. They understand when we tell them about supply chain disruptions, delays, and cost surprises, and advise them to allow for schedule and budget variables—just in case. Their clients have also been understanding. For that matter, if a consumer or contractor is not understanding, that’s a red flag for us of potential difficulty and to tread carefully with them—and to quote accordingly.”

“You need to have enough on hand to be able to ship jobs. Today’s prices are so high, you don’t want to buy too much and be caught with high priced inventory if the market comes down. We had a big inventory (90 days) on hand before the shutdowns, so we are only buying enough to keep going for 30 or so days.”

“We have been as transparent and honest with our customers as possible. There is no sugar-coating reality with ‘maybe,’ or ‘I think,’ or ‘probably.’ We order what the customer needs if we don’t have it in stock, make sure they know the date we are expecting it, and let them know that there is a chance of delay. We make sure to tell our customers to prepare for long-lead times and plan for it. We immediately let our customers know of any delay and work for a better time every time. That’s all we can do.”

“Our bigger issue is that sales are well above plan and we are tasked to stay in stock. Not panic buying, but controlled chaos. We have had to be in the three-tiered market every day on the buy side. On the sell side, we are still maintaining our price strategy as competition may or may not be pricing on current market. We do not want to be perceived as gouging in any way, yet close to or even upside down on selling at market and buying fill-in.”

“You can’t second guess the market. You can try, but it won’t work. Continue to do what you have always done with projected business and forecasts. Steady as she goes!”

“Keep enough basic lumber to fill frame orders. Watch your good movers for good pricing from mills. Mix trucks of spruce & yellow pine for best inventory coverage.” ➤

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"We are a young business that is experiencing double-digit growth year-after-year, which makes it hard to forecast sales and plan purchases. But I take solace in the fact that the LBM industry cannot be easily digitized or done from home. The supply chain has been disrupted, which makes our jobs even harder, but demand is very high in our part of the country, so we are working to increase our inventory levels."

"We have good data showing our 'normal' rate of sales from the past and we know the same data on future commitments from our bids, and after that we add our best guess."

"We're buying most anything that we can find that we will need over the next few months. With rising prices, strong demand, and short supply, we're thinking that the company that has the inventory will make the sale."

"Stay on top of market information, utilize all reports from industry pundits. Know what is going on around you and your area of business. Use this time as a learning tool to prevent getting caught up in the hype. If you have experience buying, use your knowledge and intuition. If you are behind the eight ball now, you waited too long. The key is to anticipate."

"Since no one knows when the next shoe will drop, but as business is actually great, we buy for 2-3 weeks out max. If we miss buying at a low, we price it appropriately higher and accept the results. Being in stock is the chief goal, rather than finessing the market."

"Using projected sales and availability, and not buying more than 3-4 weeks of inventory. No idea what the market or sales will be like. Who could have predicted the virus or how it was handled!"

"On materials that I'm confident I'll move, it's buying as usual, often looking/asking for any sort of deal the manufacturer or distributor may have. Never hurts to ask. On items that are a little more iffy, I will rely more on a 2-step model and again, seek out possible deals. I know I may have to pay a little more for an item and make a little less margin, but as long as it's the exception and not the rule, things will work out."

"We have increased our inventory stocking levels by 20% to accommodate longer lead times so we don't run out of product. Can't sell the product if you don't have it. When the market becomes more stable, we will go back to our old stocking levels."

"Since this is uncharted territory for everyone it is almost impossible to say. We have all seen shortages of products, with allotments and allocation over the years due to natural disasters, transportation issues, etc., but that is often more of a regional problem. This is a far broader issue, and I think there is no general answer that will work for everyone. Keeping a good line of open communication with your bigger customers may provide some guidance. What we have seen in our market, which is about 100 miles north of NYC, has been the flood of customers who are second homeowners doing a lot of outdoor projects. Now that construction is opening up again, we are all behind the eight ball, and supply chain issues are not going to get significantly better any time soon. I really think the only thing we can do is keep communicating with our customers and relying on our experience and gut feelings, and perhaps a prayer for some clarity of thinking to guide us to decisions that make the most sense."

"We are in the same boat. Holding our breath that everything will return to normal soon and hoping for the best."

"We have multiple suppliers and contact each to find out who has the product we need and keep up with the current prices. We are a small yard so we only stock one or two bundles of most lumber so that makes it harder."

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"First, I'm calling my customers to see what jobs they have coming up soon and what type the majority of material is. With everyone at home because of the COVID-19 situation, walk-in trade has doubled. I walk my yard every single day to check inventory and buy what I need and double my orders of the most popular material if I can find it. Prices are changing daily at the suppliers so I'm changing sell prices as needed."

"Have 90 days of wood on the ground or rolling. The cost of money is incidental."

"You don't want to be the 'out of stock guy.' Your customers will stop checking with you if you never have enough product. Get with your salesmen and have them discuss things with their builders and see what they have coming up. That may give you an idea of where your stock levels will need to be over the next couple months." ■

MANUFACTURERS & SERVICE PROVIDERS

"Currently, we are keeping our inventory levels down. We may miss some opportunities but cash is king in uncertain times."

"Buy what you can when you can. Put in a grocery list with your supplier and let them fill your bag with what they have in inventory and be willing to buy off-grade to fill in for the time being."

"Rely on your wholesale distribution partners more for just-in-time delivery. You'll pay a little more initially but as business picks up your inventory can adjust more quickly to activity levels."

"We all need to work closely with our business partners. Try to get them to communicate what they will be needing moving forward. What commitments do they have in-hand? Same thing on the supply side. Talk to your vendors daily. We are much better when we all work together."

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CEO, MaterialsXchange



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SIDING

WITH A BUILDING WORLD IN UPHEAVAL, SIDING REMAINS A STEADFAST PLAYER.

UP UNTIL 1903, most structures were sided with either wood, stone, or brick. Those materials had a good run, but there was change in the wind. In 1903, the first patents were filed for sheet-iron and steel clapboard siding. By the mid 1920s, Sears, Roebuck & Company started offering embossed steel siding, but it wasn't until 1939 when Indiana machinist Francis Hoess patented a process of using a locking joint for aluminum siding. Along comes vinyl siding in the late 1950s, and the building industry was forever changed.

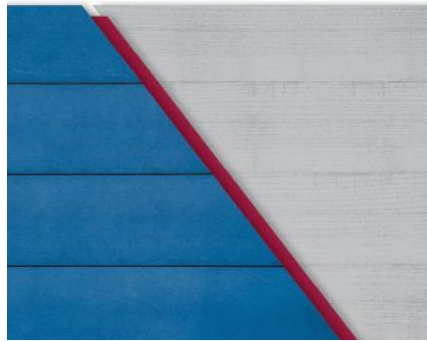
Since those turning points, the siding industry has had a rosy rise. But like all industries during these tumultuous times, the siding segment is taking a hit, and predicting segment trends is difficult, especially because no one knows with absolute certainty how the situation will unfold in the coming year. But while there is most certainly a temporary slow-down bubble, most manufacturers seem cautiously optimistic, even though it may take some time for builders and remodelers to get back up to full speed. "While there are many uncertainties right now, we're hopeful that the impact on building materials may not be as severe as one might fear," says Jack Delaney, vice president of sales for Boral Building Products. "During stay-at-home orders, many Americans have been making wish lists for the ways they will have professionals make improvements once that's allowed in their areas. Siding replacement is a perfect way to give existing homes an instant facelift."

Deb Lechner, vice president of marketing for Ply Gem Siding, also sees the potential for a strong outcome. "The first quarter of this year showed exciting, positive growth," she explains. "With COVID-19, the speed of recovery is still unknown, and highly debated. Happily, many builders and remodelers have adapted quickly to virtual selling and social distancing guidelines. We're obviously in unprecedented times, and while it is challenging to predict the future, we expect the coming year to show positive growth for the siding segment."

"Our current forecast of demand for the 12 months of 2020 shows a decrease of 30 - 40% from initial annual projections in new single-family," says Sebastian DeGregorio, business strategy manager for sales and marketing for Allura. "While it will take some time for builders to ramp up fully and for municipalities to work through the backlog of inspections and approvals, we see healthy activity for the remainder of 2020."

Sean Gadd, chief commercial officer for James Hardie Building Products, shares similar projections as DeGregorio, but is a little more cautious

about the speed of recovery. "There are a number of companies that are trying to predict what new housing starts will be and how the repair and remodel industry will react," says Gadd. "We have seen ranges showing this year to be anywhere from -15% to -25%. While we cannot predict how long this will go for, or how big the impact will be, we expect a more L-shaped recovery; meaning that the economy and the building industry will come back slow and over a longer period of time." ➤



LEFT: Boral has added a reversible Shiplap-Nickel Gap profile to its TruExterior line of poly-ash siding. The new profile comes in two formats: one features smooth Nickel Gap on one side and wood-grain Shiplap on the other; the second has wood-grain Nickel Gap on one side and smooth Shiplap on the other.



ABOVE: According to ProVia, its Timberbay Roughsawn Shake collection offers a more diverse selection of profiles and colors and provides greater exterior design capabilities.

LEFT: New to Ply Gem's Stone Collection is Durata, a stone veneer that requires no mortar to install. According to the manufacturer, Ply Gem uses larger molds than the industry norm, and non-repeating shares and colors every 100 square feet. Liquid tints are absorbed into the stone, creating more durable colors that resist fading. The product comes with a 50-year limited warranty.

OPPOSITE PAGE: Carolina Colortones is a supplier and pre-finisher of siding products. Shown here are their Dark Teak Boral TruExterior and Light Grey Allura Fiber Cement Panels.

Still, there's a factor that the siding industry has in its favor that not all other segments of the remodeling and building industry can take advantage of—siding is part of the building's envelope, and thus is outside the home, potentially isolated from the homeowner. "A siding installation is much less invasive than a kitchen or bathroom remodel," says Kevin Mickle, product manager of siding for ProVia. "Additionally, with 49 states having issued some form of shelter-in-place rules, people have been in their homes more than ever. They've completed

their cleaning and organizing tasks and are now taking on outside projects that increase the curb appeal of their home."

HOME AS SANCTUARY

In these times of uncertainty and insecurity, homeowners are more and more desiring a sense of sanctuary. They want their homes to feel like a place where they can let go of stress and be together with family, in spite of the world around them. And siding can help create that sense of sanctuary. "Now more than ever, home is everything," says Steve Booz, vice president of marketing and product development for Royal Building Products. "It has become the place where we relax, socialize (virtually), work, teach, play, work out, and more. Homeowners are taking the time to gather information and inspiration to create the home they want for themselves and their families. We anticipate that this will continue to drive interest in DIY projects and interior design, as well as larger remodeling projects."

Boral's Delaney echoes Booz's comments. "This crisis has reinforced our long-held ideals of 'home as sanctuary,'" he says. "It's our safe place, now more than ever. And we want that space to be in tip-top shape and aesthetically pleasing. As a result, I think we'll continue to see this increased interest in home improvement hold steady for some time."

By utilizing products that create mixed textures, unique profiles, and on-trend colors, contractors and remodelers can create that sense of sanctuary, a singular look that enables the homeowner to have his or her individual stamp on the home. "Certainly, the consumer is a believer in customization," says Mike Pidlisecky, vice president of sales and marketing for Woodtone. "As challenging as that is for the building industry on a mass scale, homeowners continue to want to add their touch to the interior and exterior of homes."

That doesn't mean that trends are going too far afield. Popular trends such as the modern farmhouse look will continue to be popular, especially when combined with contemporary twists. ➤



ABOVE: Last summer, Royal launched Celect Canvas Unpainted Cellular Siding, an unpainted version of Celect Cellular Siding. According to the manufacturer, Celect Canvas features the same woodgrain aesthetics and low-maintenance benefits of the prefinished cellular siding, plus the ability to customize the color using thousands of exterior vinyl-safe paint shades that fall within the recommended light reflectance (LRV) rating of 50 and above.

MIDDLE: Woodtone's newest launch is Chrometallics, a new finish said to replicate the look of metal siding while still preserving the durability of composite products. Chrometallics coating technology will be available on James Hardie, LP SmartSide and Allura siding products with a smooth finish.

RIGHT: Foundry from Boral has added two new colors—Mountain Ash, a sandy white shown here, and Rustic Slate, a bluish gray—to its premium Grayne shingle siding line. According to Boral, the product line delivers distinctive graining patterns and crisp edges which create natural depth and shadow lines for the authentic look of natural cedar without the associated maintenance.





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Arcitell's new Qora Cladding aims to mimic the look of stone in a simple and cost-effective solution. Qora is constructed from a rigid foam core and fiberglass-reinforced compound. According to Arcitell, most Qora cladding panels weigh between 2 and 3 pounds per square foot, a fraction of the weight of comparable traditional materials.

"Siding and trim play a crucial role in achieving the simplicity and clean lines that are the hallmark of modern farmhouse design," says LP Building Solutions' R&R Territory Sales Manager - West, Clint Hulsing. "In particular, we've seen increased demand in smooth siding products on the modern farmhouse design because it puts a contemporary spin on the classic design."

Boral's Delaney shares the belief that it's a balance of the traditional and the unique. "Authenticity has also been in demand for the past few years, and we think that desire will only get stronger as Americans look to their homes as a sanctuary," he says. "The draw of tradition, of the tried-and-true, is likely to continue as homeowners look for any sense of normalcy in these times."

Still, in the midst of the search for uniqueness, some things remain constant. Low maintenance has been a big

driver in the siding segment and will remain so, as will the desire for siding products that replicate a natural look. And of course, the labor shortage—made all the more challenging right now—will remain a big influencer. "I believe the trends driving product development remain similar to those before the pandemic occurred," says Mike Maddern, director of marketing and sales for Arcitell, "namely products that are easier to install and address the continued challenge of construction labor shortages. The pandemic has only exacerbated this existing issue and has removed already strained resources from the available labor pool."

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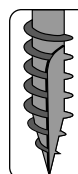
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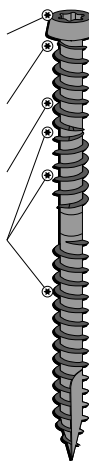
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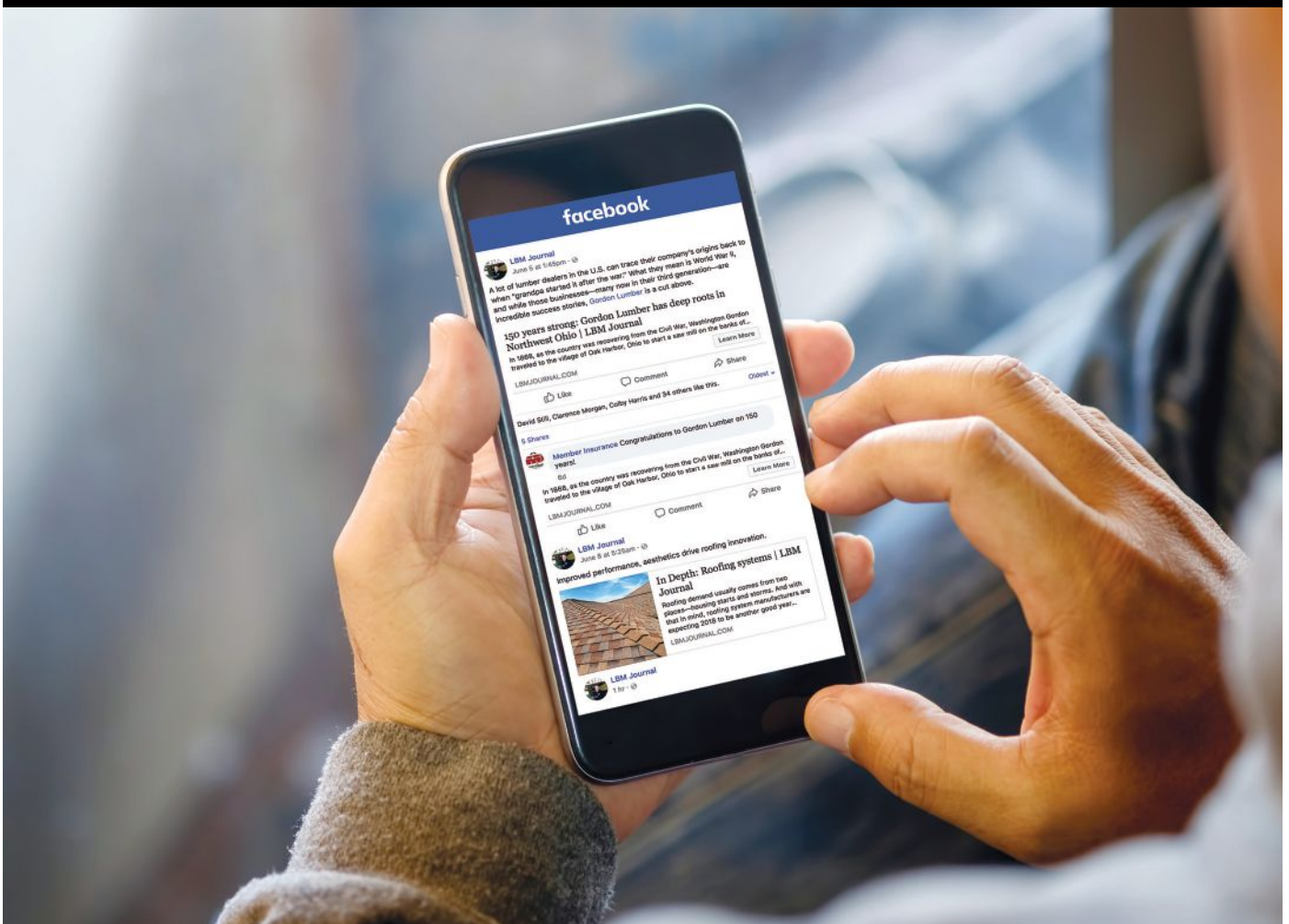
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But increasingly, builders' primary product choice is being driven by performance and by ease and speed of installation, thus reducing labor costs.

"Builders are focused on products that will save time, improve building-efficiency and fortify their position in the market—ultimately enabling them to sell more homes, faster, and more profitably," says Sean Gadd, chief commercial officer for James Hardie Building Products. "With the sheer scale of choices builders face, it's imperative that products deliver strong value and help make the process simple."

Says Boral's Delaney, "Builders are looking for value. They want products that will improve a job's appearance and increase its perceived value by

increasing price more than cost. This includes products that deliver high performance and quality to prevent callbacks. In addition, due to the ongoing labor shortage (and now likely restrictions on the number of workers on the jobsite in some areas), builders appreciate products that are easy to install."

Equally important, though, is the ability for the contractor to find everything they need through one single source who is both knowledgeable and product-savvy. "Given the current conditions in the marketplace, guaranteed supply and good service is extremely important," says James Hardie's Gadd.

"The driving attitude is the desire to single-source materials and a willingness to do business with a partner," explains Allura's DeGregorio. "Customers would much rather buy a bundle of materials from the person they feel understands what they are trying to accomplish as a business, and who is willing to help support them achieve those goals."

Royal's Steve Booz agrees. "Companies that can provide a variety of great siding options, as well as an array of attractive trim and moulding packages, have an advantage in offering a 'one stop shop' for builders."

So, as an LBM distributor, how do you meet those needs? According to the manufacturers, it's by getting "in the head" of your customer, thinking about what they want, and then positioning yourself to provide it. As Arcitell's Mike Maddern explains, "Train your entire organization to be more solutions-oriented when approaching customer-facing roles and responsibilities and begin each engagement by asking 'what problem am I solving for this customer?'"

"Do anything and everything to increase your product knowledge," says Boral's Delaney. "Make an effort to know more about products—yours and your competitors'—than your customers do. This will allow you to not just sell to your customers, but to help them find the right materials for every project and every challenge. This, in turn, will make you more valuable to them as a supplier. Lean on your manufacturers for help with this." ➤



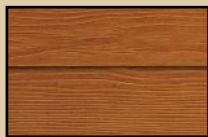
ABOVE: New for ProVia's HeartTech Siding line is Nightfall, a pure, deep gray shown here, and Sea Slate, a blue gray with hints of salt. According to the manufacturer, ProVia's Super Polymer formula allows the dark colors to withstand weather conditions from extreme heat to extreme cold.

TOP RIGHT: Western Extreme Vinyl Siding from Ply Gem Siding (a division of Cornerstone Building Brands) is designed with a unique locking system that allows the siding to perform through harsh weather and rapid temperature changes. Advanced polymers, special additives and a unique design reflect infrared rays away from the home and reduce heat buildup, the manufacturer says.

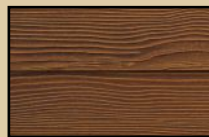
MIDDLE: Boral has added a new color—Northern Ash—to its Versetta Stone line of stone siding, giving builders an additional way to meet current trends for exterior dark colors and accent options.

RIGHT: James Hardie's Dream Collection products feature over 700 finishes available in a wide range of product profiles, sizes and textures. The collection comes with James Hardie's proprietary ColorPlus Technology that, according to the manufacturer, resists fading, discoloration, chipping and cracking and is backed by a 15-year limited warranty.





Natural Cedar



IPE



Spanish Moss

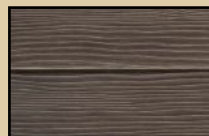


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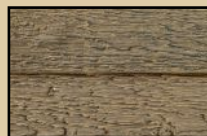
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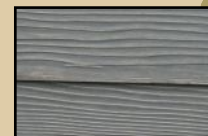
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ABOVE: Derby Building Products' Beach House Shake exterior cladding has the look of white cedar and is designed to deliver an authentic 5" reveal and protective UV coating.

BELOW: Woodtone's RusticSeries lap siding is available in 23 color combinations on fiber cement or engineered wood. Shown here is its Alpine Ridge color.



BELOW: At the International Builders' Show, LP launched its SmartSide ExpertFinish Trim & Siding, a new prefinished siding option offered in 16 colors. According to LP, the siding features a specially-designed lap joint that eliminates the need for most seam caulking, joint molds or pan flashing at butt joints to improve workability and create an even smoother jobsite installation.

Remember, however, that no LBM dealer can be an expert on everything. But as LP's Clint Hulsing points out, it's important to anticipate rather than react. "As a dealer, it's impossible (and unrealistic) to know the details of each product available," he explains. "However, what dealers can do is try to best anticipate customer and contractor needs by offering products that address some of the top industry demands like quality and efficiency. Professionals want durable products they can trust that can save them time and resources on the jobsite, potentially impacting their bottom line. Offer solutions to proactively address their needs."

ONLINE TRAINING, VIRTUAL BIDDING

If there's a good outcome from the current health crisis, it comes in the form of online and virtual training programs. More than ever, manufacturers are offering a wide array of resources that LBM distributors, builders, and contractors can take advantage of to increase their knowledge base.

For example, James Hardie recently launched "Field Safety Training," a program designed to provide employees, customers, and business partners with an overview of COVID-19 and the actions that should be taken to support safe business practices across every touch point. In addition, the company has curated an Affiliate Webinar Series for customers and members of its Contractor Alliance Program (CAP) to

educate and inform, with topics that include jobsite safety, maximizing leads and virtual sales, and how to increase business visibility online.

LP has moved its SmartSide training events online, allowing for a virtual experience that delivers vital product information. Likewise, Allura has created a series of short videos on how to sell its products based on the value to the builder. "We created several videos about product installation best-practices, tips, and general product storage and handling," explains Allura's DeGregorio. "This next year we will also be delivering live virtual installation training. Installers can sign-up for a session, take the in-class training virtually, and then at a later date, join a monthly in-person hands-on training with one of Allura's installation professionals."

Likewise, Boral has moved its training and education programs online, adapting to each state's individual needs. "Boral Building Products has quickly adjusted to offering training sessions virtually, from educational product knowledge workshops to live, interactive installation demonstrations," says Boral's Delaney. "We're making every effort to ensure dealers and builders can continue to operate when and where allowed. Once face-to-face meetings are back on the docket, we'll be back on the road with our training trailers, visiting dealer locations and jobsites for live product demonstrations and installation training." ➤



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To meet the needs of a world where customers may be reluctant to allow contractors to enter their homes, Royal has partnered with One Click Contractor to transform the way its products are sold. With the new system, contractors can run their entire sales process—from measuring to payment—without setting foot in a customer's home. "By making the transition from paper to digital," says Royal's Booz, "contractors can easily deliver an accurate, professional, and customized sales process with all of the estimates, contracts, and presentations that would typically happen at the customer's kitchen table."

When these changes are all looked at together, it is apparent that the siding industry as a whole is ready, willing and able to adapt to new forms for business. As homeowners focus more and more on the value of their homes, the perceived value of siding is poised to do nothing but rise, and LBM distributors need to be ready to help customers understand how to best meet these new needs. As Steve Booz reminds us, "Royal Building Products is celebrating its 50th anniversary this year and, having weathered several recessions and downturns in our history, we continue to remain optimistic about the home building industry despite the upheavals facing us with the current health crisis. We are continuing to announce new products this year and have no plans to stop innovating. We remain optimistic about the growth of siding this year." ■

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



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Rigid Connector Angle Utility Clips from Simpson Strong-Tie

Simpson Strong-Tie has introduced two new, longer lengths to its line of L-shaped rigid connector angle (RCA) utility clips for cold-formed steel construction. The product line extension introduces 9" and 11" clips to the existing lineup of 3", 5", and 7" clips. RCA utility clips from Simpson Strong-Tie are available in 12-gauge, 14-gauge, and 16-gauge and feature a G90 galvanized coating designed for enhanced protection against corrosion. RCA utility clips are engineered to be easy to install, with pre-punched holes for quick and accurate fastener attachment, and can be used for a wide variety of cold-formed steel applications, including miscellaneous header/sill connections to jamb studs, jamb stud reinforcement at track, u-channel bridging, stud-blocking, bypass curtain-wall framing, and joist connections. strongtie.com/rca

Royal Building Products black soffit

The new black soffit from Royal is designed to create a distinctive accent when used in porch ceilings, eaves, and overhangs. Exterior Portfolio and Royal soffits shield roof rafters and ventilate attics, protecting homes from pests, while claiming virtually no maintenance or additional painting. The new black color soffits in the designer, traditional, and builder profiles are available in low gloss woodgrain, brush, and matte finishes. All soffit products are backed by a limited warranty and can be purchased through select distributors across the U.S. and Canada. royalbuildingproducts.com/products/soffits



Deckorators ALX Contemporary pre-assembled aluminum railing

New Deckorators ALX Contemporary pre-assembled aluminum railing features welded panels designed to maximize rigidity and strength. Made of heavy-gauge aluminum, the panels are said to save time on baluster installation and they come in four powder-coated colors: Textured Black, Textured White, Weathered Brown, and Bronze; Brushed Titanium is also available in pre-assembled anodized aluminum panels. ALX Contemporary railing features a rectangle top rail profile with square balusters. It comes in 36" and 42" heights and 6' and 8' on-center lengths when installed between 2-1/2" posts. The 2-1/2" post kits feature one-piece post trim and a leveling plate. Pre-assembled adjustable stair rail panels are also available. ALX Contemporary railing is backed by a lifetime limited warranty on manufacturing defects and powder coating, a 25-year removal-and-replacement warranty, and a 10-year saltwater applications warranty. deckorators.com/alx



IKO EdgeSeal

IKO's EdgeSeal, a double-sided, self-sealing adhesive starter roll is designed to bond shingles to the roof deck at the roof's most vulnerable area—its perimeter. IKO's EdgeSeal is designed to serve as an upgrade option for contractors, providing a higher-quality installation as well as the critical protection required to keep a roof secure during extreme weather events. Compatible with all IKO shingle lines, IKO EdgeSeal is a membrane designed for roof perimeter sealing and to be installed at both the eave and rake edges. A double-sided, self-adhering starter roll, IKO EdgeSeal's adhesive formulation bonds to both the drip edge and/or underlayment below and the first course of the laminate asphalt/fiberglass shingle above. iko.com



Alside's ASCEND Composite Cladding System

Alside has launched ASCEND Composite Cladding System, available in 20 fade-resistant colors. The system is designed to be virtually maintenance-free, and is backed by a lifetime limited warranty. The system is said to enable quicker and easier installation than that of fiber cement, engineered wood, and other composite panels as it is installed in fewer steps that do not require specialized equipment. The ASCEND Composite Cladding System features patented (GP)2 Technology which provides a class A fire rating for both flame spread and smoke, strong wind load performance, as well as impact and R-2 thermal resistance. The system requires no sealing, touching up, joint flashing or caulking. Multiple trim, window, and accessory options are available. ascendcompositecladding.com



Fiberon Promenade decking

Fiberon's new Promenade PVC decking features enhanced streaking, premium embossing and a next-generation surface coating designed for superior weather resistance. Both grooved- and square-edge options feature four-sided capping with streaking on the unembossed underside. A slip-resistant texture is designed to make the decking ideal for waterside applications.

Promenade PVC decking is covered by a lifetime limited performance warranty and a 50-year stain and fade warranty. fiberondecking.com



American Ground Screw

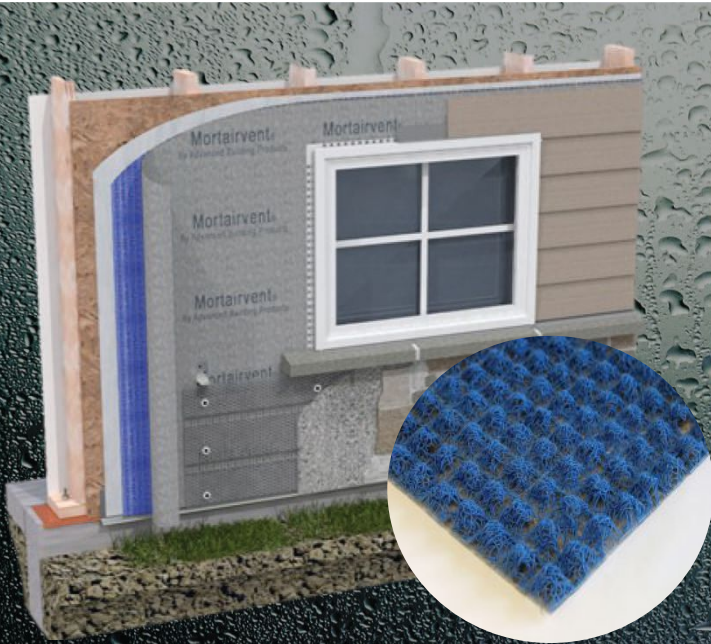
American Ground Screw, Inc. says its product is the first to be certified under the International Code Council's (ICC) acceptance criteria for screw foundation systems (AC408). American Ground Screw has been developed as a DIY ground anchoring system; the product holds posts concrete-free. With ICC certification, builders in the U.S. will be able to use the product to build foundations with a fraction of the labor, expense and environmental impact, the company says. The U-Model is 100% loadable immediately after installation, and securely holds 4x4 posts with five lag bolts, which are included. Made with hot-dipped galvanized steel to guarantee structural integrity. americangroundscrew.com



DAP Power Point 300

DAP has expanded its line of Power Point caulks and sealants, specifically formulated for the professional painting contractor, to include a line of high-performance acrylic urethane sealants called Power Point 300. Power Point 300 is designed to provide maximum flexibility and strong multi-material adhesion for a long-lasting, durable seal that won't crack. It is available in a full line of 14 colors, designed to match today's trim and siding colors. Power Point 300 is said to provide a 100% waterproof and weatherproof seal, two-hour paint ready time, easy and smooth application, low odor and water clean-up. It's also backed by a lifetime guarantee. Power Point 300 is available in a color line that includes white, clear, off white, almond, tan, limestone, woodtone, bronze, aluminum gray, stone, redwood, redwood tan, pine green, and black.

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Feeney Quick-Connect Termination Post

Feeney has introduced the Quick-Connect Termination Post and 45 Degree Base Plate Cover, the newest additions to the brand's DesignRail aluminum railing system. The Quick-Connect Termination Post for DesignRail features Feeney's patented automatic-locking Quick-Connect fittings, which are pre-loaded into a strip that is embedded within the post and secured via a lock ring at each fitting for a low-profile aesthetic. Available for all standard DesignRail configurations with CableRail infill, the termination post comes in 36", 38", and 42" heights and is compatible with Base Mount, Stanchion Mount, and Fascia Mount applications. It can be used with or without a bottom rail, and stair and newel post configurations are available. Additionally, the post will accommodate any tensioner fitting on the other end, including Feeney's Conceal Tensioner. The post can function as a "center" post for two sets of cables on long runs of up to 140 feet (70 feet max, each side). The 45 Degree Base Plate Cover for DesignRail is a two-piece, fastener-free cover that conceals the lag screw heads and post base plate. The cover is powder-coated to match DesignRail colors, along with custom hues. feeneyinc.com



Cascadia Railing System from AGS Stainless

Introduced at this year's International Builders Show, and now distributed by Cardinal Building Products, Cascadia is a stainless steel bar rail system designed to install with minimal field modification. Cascadia was developed to give builders a stainless railing product at a price closer to that of an aluminum railing system. According to the manufacturer, Cascadia is the only ICC ES-approved stainless steel bar rail system (Report #4148), making it available for acceptance by the vast majority of building departments. Cascadia features components made of A316 marine-grade stainless steel with the flexibility to accommodate a wide variety of top rail materials. agsstainless.com



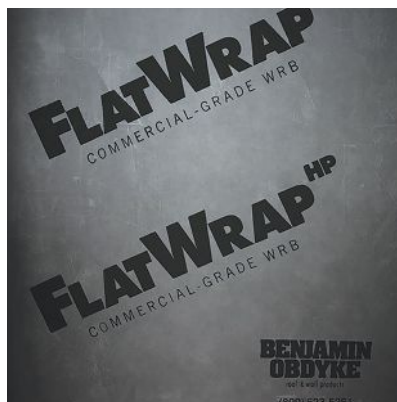
FootingPad by AG-CO launches two new products

FootingPad is a post foundation used in deck, post-frame and other post-in-ground structures. It is made in the U.S. of a composite material combining polypropylene and fiberglass. FootingPad has added a 20" diameter version to join four other sizes (10", 12", 16" and 24"). This newest footing supports up to 6,545 lbs. per post. The International Code Council – Evaluation Services (ICC-ES) has recently certified the new 20" as compliant to IRC and IBC code requirements. It completes a line of composite footings with load capacities for almost all applications of over 9,300 lbs. Additionally, FootingPad has developed an online footing size calculator that guides users to choose the best size FootingPad for their project. The calculator allows the user to enter data for their deck or post frame projects with output that offers the appropriate footing size. footingpad.com



CertainTeed third generation Signature Cedar Impressions

CertainTeed's next generation of Cedar Impressions siding features double 7" 3G Straight Edge Perfection Shingles and Cedar Impressions accent panels now offered in new colors and shapes. The 3G profile is engineered to provide superior aesthetics, simplified installation and enhanced performance. New features include slanted, tapered gaps with deeper shadow, high-definition texture, and an offset corner to replicate a woven appearance. The new double course panel is designed to provide more coverage and require fewer fasteners than single course siding. Meaning, installers can easily comply with social distancing measures because fewer people are needed per job, the manufacturer says. Cedar Impressions Double 7" 3G Straight Edge Perfection Shingles are made in the U.S., are available nationwide and come with a lifetime limited product warranty. certainteed.com

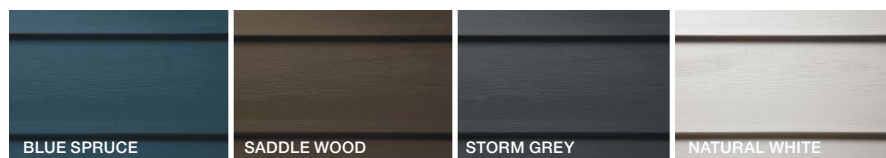


Benjamin Obdyke's Flatwrap HP

Flatwrap HP is designed to be a high performance housewrap for use in non-absorptive cladding applications or in conjunction with a rainscreen for other applications. The product is said to offer superior durability via a trilaminate polypropylene substrate. The trilaminate design protects the water hold out layer from damage during install. Flatwrap HP can be installed as an air barrier and is also breathable with an ideal perm rating between 10 and 20 perms per building science research, the manufacturer says. The product can be exposed for 120 days before cladding install and offers a gray, low-glare surface for easier install. Available in 3', 5', and 9' sizes, Flatwrap HP offers a 10-year standard product warranty and a 15-year system warranty when used with one of the HydroFlash products from Benjamin Obdyke's flashing line. benjaminobdyke.com

New colors for Everlast Advanced Composite Siding

Chelsea Building Products has expanded its color palette for all products within the Everlast advanced composite siding system. The new colors are available in both traditional lap siding and board and batten profiles, in addition to Everlast Premium Color-Matched Trim. The expanded 15-color palette now includes Blue Spruce, Saddle Wood, Storm Grey, and Natural White. Everlast siding consists of a thick and solid composite substrate called C CORE, which is made from a composition of inorganic minerals and polymer resins. The substrate is then fused molecularly to a color-tinted acrylic capstock and embossed with an authentic cedar grain finish, designed to produce durable, natural-looking siding. Everlast siding also features warranty protection against excessive color change, peeling, flaking, cracking, rusting, blistering, and corroding. everlastsiding.com



Trex RainEscape Soffit Light

The new Trex RainEscape Soffit Light is a directional LED downlight that installs into the ceiling below a deck drainage system on an elevated deck. Compatible with the Trex Outdoor Lighting collection and the Trex LightHub system, the product is said to be energy efficient and easy-to-install. The lights are designed for use with decks outfitted with the Trex



RainEscape deck drainage system to complete the look of an under-deck ceiling and living space. Available in bronze, black, and white finishes, the new Trex RainEscape Soffit Lights are designed to use 75% less energy than standard can lights. Developed specifically for outdoor use, the components are resistant to water and salt air. The Trex RainEscape Soffit Light is backed by a limited 5-year warranty on the LED light and a 10-year warranty on the powder coating. trexrainscape.com

DEWALT POWER DETECT

DEWALT's POWER DETECT Technology is included exclusively on four new 20V MAX XR Brushless Tools. These include a 7-1/4" Circular Saw, Reciprocating Saw, 5" Angle Grinder, and Hammer Drill. Newly developed electronics in tools with POWER DETECT Technology can identify the battery the tool is paired with and adjust power output accordingly. This is designed for commercial contractor applications



where premium power, performance, runtime, and productivity are required. The new tools also feature upgraded motors and components compared to their predecessors, and durable housings. This combined with battery pack identification included in POWER DETECT Technology, is said to provide premium capability for the professional user and continue the expansion of the cordless jobsite. dewalt.com



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Congress intervenes in crane rule's material delivery exemption

BY KEVIN MCKENNEY

AS WE HAVE REPORTED over the past few years, NLBMDA has been working to rescind a letter of interpretation (LOI) issued by the Occupational Safety and Health Administration (OSHA) in 2016 regarding the material delivery exemption in the Crane and Derricks in Construction Standard. Now, the issue has raised the attention of Congress, where a letter to the agency is circulating that calls for the immediate withdrawal of this LOI.

For brief background, NLBMDA met with OSHA's Directorate of Construction in April of 2019 to restate concerns about the LOI that addresses an aspect of the material delivery exemption to the rule. OSHA issued the crane rule, which includes the material delivery exemption, in 2010 after extensive consideration by the agency and input from stakeholders like NLBMDA. The letter, issued in June 2016 in response to a question posed by an equipment manufacturer during the original rulemaking process, has created confusion for dealers and contractors alike regarding the final stage of the delivery process when material is boomed up to the upper level of a structure under construction. Prior to the 2016 letter, dealers followed the plain meaning of the rule's exemption for material delivery.

The material delivery exemption was created by OSHA in direct response to the work of NLBMDA and others who argued that the use of the truck-mounted articulating boom to lift common building material such as sheet goods and packaged material to upper levels of structures under construction does not create the type of hazards that OSHA was attempting to address in the original rule.

The examples shared with OSHA at the time of the 2010 rulemaking, both in written comments and at a public hearing, included booming sheet goods (such as drywall) and palletized material (such as joint compound or fasteners) to an upper level opening where the material is removed from the fork or pallet, or booming roofing material up to a roof deck where the material is distributed (for example, packages of shingles moved from the pallet onto the roof deck).

The industry was satisfied until the issuance of the 2016 letter in which OSHA seems to say that when material is boomed up to a structure, the delivery falls outside the material delivery exemption if anyone handles the material before it is placed by the boom onto the surface of the structure.

OSHA's letter is flawed on several points. First, as a practical matter, the letter eviscerates the material delivery exemption since material boomed up to an upper level opening cannot simply be dropped from the fork assembly, or in the case of a pallet, the boom cannot drop the pallet onto an upper level or roof deck—both because of the fact that the boom and fork assembly will not fit into many of the openings through which material is boomed, and because of weight distribution constraints.

Second, this limitation creates an arbitrary and unrealistic line between the process of delivering material and the construction process. It is as if OSHA wants to apply the concept of dropping material on the ground to booming material to an upper level. At no time during the rulemaking process or the rule's promulgation in 2010 did OSHA raise this issue or attempt to address it. NLBMDA was clear in testimony during the 2010 rulemaking that booming material up to upper levels involves handling material in the final step of the delivery process, even providing visuals.

Third, on a technical note, OSHA cannot use a letter of interpretation to rewrite a rule that has undergone the normal rulemaking process, including notice and comment opportunities and other well-developed policy development requirements, such as cost-benefit analyses.

While the letter attempts to create a new limitation to the exemption when booming palletized material, the 2010 rule makes no such distinction between booming sheet goods and palletized material, nor does it prohibit the necessary step of unloading the material.

In early June, Rep. Ron Wright (R-TX) took the lead for the LBM industry and led an effort with others in Congress to formally rescind the LOI. The letter details the contradictions with the exemption in the original rule and says: *"...the 2016 LOI falls short and injects costly and burdensome red tape where it's not needed. Given that the OSHA-acknowledged consequences of applying the Crane Rule to material deliveries identified during the initial rulemaking process remain, we request that OSHA immediately rescind the 2016 LOI."*

This campaign shows the impact that our industry has with our elected officials, including the efforts of NLBMDA members across the U.S. NLBMDA is working to get as many members of Congress onto the letter as possible. ■



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

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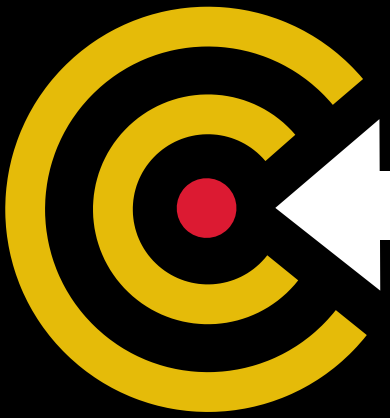
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Note: last-minute changes will affect the accuracy of this listing.

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

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The challenge you're dealing with today began as a small annoyance, but it's been festering for years, so now it's affecting the relationship between your company and one of your biggest customers. Here's the story.

Bob the Builder (yes, that's really how he refers to himself) started building homes about the same time you launched your lumberyard. He's a good guy who is easy to work with, pays on time, and has been a good customer for years. Bob has been working with the same salesperson on your team, Abe, for the past dozen years or so. Abe understands Bob's company and has done a stellar job servicing and nurturing Bob's business.

All was good until about three years ago, when your primary decking vendor introduced Phil as your new rep. As it turned out, you already knew Phil, who got his start in the industry as Bob the Builder's protégé. Phil left Bob's employ on good terms, and they remained friends, so Bob was ecstatic to learn that his former right-hand man was going to be servicing your account.

Almost immediately, Bob stopped talking to your rep about his decking needs, and started working directly with Phil. This was understandable, and at first, it was fine. But as time has gone on, the situation has gotten more extreme. Bob's decking purchases have steadily risen by double digits since Phil arrived. While the sales are still going through you, the communication isn't. It's now common for Phil to request quotes from your team on Bob's behalf.

"It just isn't right. I've worked with Bob for years, and have always done right by him," Abe explained. "I can't tell if he's trying to work us for lower pricing, or if he no longer trusts me, but I don't like getting bid requests from our decking rep. I don't work for him; I work for you. I feel like I'm getting pushed out of the picture. It's aggravating, and I want it to stop."



You understand Abe's frustration with being side-stepped. Yet Abe is still earning full commission on everything Bob buys, and Bob is buying more than ever. Abe is a top performing member of your sales team, and you don't want this gnawing at him. What would you do?

► CAST YOUR VOTE ONLINE AT: LBMJOURNAL.COM

- **IF IT AIN'T BROKE...**Your company is still getting the sale, your rep is still earning commission, and your big customer is happy. If it ain't broke, don't break it.
- **TALK WITH BOB.** Explain to Bob that working directly with the vendor rep is creating friction, and ask what you and your team could change to get back to normal.
- **TALK WITH PHIL.** As your vendor rep, Phil is responsible for serving you and your business. Ask him to respect the lines of communication, and to include Abe in his dealings with Bob.
- **TALK WITH ABE.** Talk through the reality of the situation with Abe, help him understand that this has nothing to do with him, and it's a bonus that Bob and Phil can work together.

SOMETHING ELSE?

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— Thomas Edison, Edison Exteriors

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TruExterior poly-ash siding was developed to deliver stability and durability, resisting the warping, cracking and splitting found in other products. If you're looking for workability and less maintenance with the authentic look of wood, you'll find it with TruExterior.

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