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MARCH 2021 \$10 U.S.

DEALER OF THE YEAR 2021

ANNUAL SALES: \$10-\$50 MILLION

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REAL ISSUES. REAL ANSWERS.
CONSOLIDATION: GOOD OR BAD?



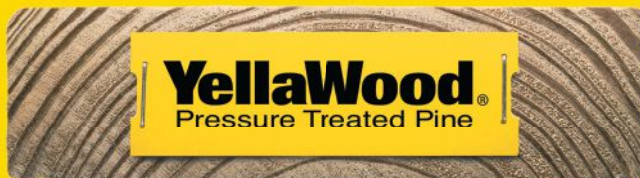
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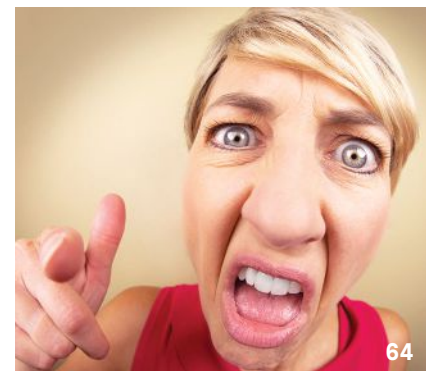
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Consolidation and competition

“WHETHER YOU THINK YOU CAN OR YOU THINK YOU CAN’T, YOU’RE RIGHT.” — HENRY FORD

In reading over this month’s feature, “Consolidation: Good or Bad?” (p.30), the question and the comments from readers took me back to when a small team and I launched LBM Journal in 2003. Our concern wasn’t consolidation, per se, but the reality of competing against much, much larger competitors. When we launched (with no investors, no money, no office space, and no guarantee that anyone would ever get paid), we pinned the hope for our survival on being named the official magazine of a large organization. I remember learning that our much larger competitor had just received the one thing we were counting on. I shared this with Jodie Cook, our one salesperson at the time, and we just sat down and said, “Now what are we going to do?”

After the fog of that initial shock passed, we realized that our survival wasn’t about anyone else. Our success or failure was up to us. So here’s what we did:

- 1. Be different and better.** When we launched LBM Journal, we knew the odds were against us, so we’d have to be measurably different and better than the other guys. We would succeed only to the extent we helped our readers and our advertisers succeed.
- 2. Listen, then deliver.** We were good at listening to our readers and advertisers and delivering—so that’s what we did. Back in 2011, a very sharp Texas LBM pro asked how other dealers were managing deliveries in the face of spiking fuel prices. I didn’t know the answer, but I knew who to ask: our audience. And the popular Real Issues. Real Answers. feature was born.
- 3. Play your game.** We never obsessed over what our competitors were doing. Instead of fretting over things beyond our control, we laser-focused on our audience. In the ultimate underdog story told in the movie “Miracle”, the young U.S. Olympic hockey team defies the odds when they play their game and beat the seemingly unbeatable Russian team.
- 4. Be nice.** We’ve all worked with people who are A) a real pleasure to work with, B) those who seem to go out of their way to be unpleasant, or C) who turn out to be less-than-honest. The vast majority of people I’ve worked in our industry land in the first group. Somehow, those in groups B and C always seem stunned when a bridge they’ve burned is gone forever. Being a good human being isn’t rocket science, and it makes a difference.

Consolidation is disrupting and reshaping our industry, and there’s no question that it’s daunting to compete against larger competitors. But it’s not impossible. When I joined this industry in 1990, the business press had pretty much declared that lumberyards were dead, and that Home Depot, Lowes, Builders Square, etc., were the future. Independent yards who thought they couldn’t compete proved themselves right. Many who viewed big boxes as just another challenge proved themselves right, and they’re stronger today than ever before.

I think Henry Ford was onto something. If you think you can, let’s work together to prove you right.



Rick@LBMJournal.com

— Rick Schumacher
Executive Editor & Publisher



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Introducing the Recruit + Retain Podcast

IF YOU'VE EVER wanted to know more about recruiting, hiring, and holding on to top-tier talent at your LBM business, chances are your research has brought you to Rikka Brandon. Maybe it was a column in this magazine, a webinar, blog post, or social media entry, an appearance at the LBM Strategies Conference, or her book, "Hire Power: The LBM Edition." Rikka is quickly building a reputation as a leading recruiting and retention expert for our industry, and that's why I'm very excited to be working with her on a new podcast.

Rikka and the LBM Journal team launched the Recruit + Retain podcast in February to reach a growing portion of our readership who are streaming and downloading podcasts on demand. Rikka has a wealth of content to share and there's so much more than we can fit into a monthly column. The podcast platform allows Rikka to go beyond sharing her expertise in her regular magazine column. On each bi-weekly podcast episode, she'll interview guests and dig into how some of the most-respected companies in the LBM space have found success in recruiting and building successful teams. She'll also talk to seasoned LBM pros who will share the pivotal moments of their career paths that led them to leadership positions. Already in the first episode Rikka accomplishes both of these objectives when she speaks with Jim Sobeck of New South Construction Supply in Greenville, South Carolina. Jim not only shares the story of how his career led him to New South, but he also lets listeners in on his company's hiring, training, and retention practices that have made New South a Best Place to Work in South Carolina.

Podcasts aren't new to our audience; we know this because of the success of the podcast we launched with Rick Davis last fall. The LBM Sales Podcast, hosted by Rick Davis and sponsored by DMSi, has been streamed and downloaded thousands of times. We've heard from listeners who have downloaded episodes to be shared with their entire sales teams. Because of the value that I know listeners have found in the LBM Sales Podcast, I'm certain that Rikka's podcast will become a favorite on the playlists of hiring managers and jobseekers alike.

Even if you're not currently hiring or looking for a career move, I recommend you give the Recruit + Retain Podcast a listen. Rikka's way of analyzing and simplifying the complexities of company culture will make listeners reflect on their workplace values and will motivate them to excel in their role while lifting up the team around them. As with any content we produce here at LBM Journal, from the print magazine to our website and from webinars to live events, none of it could be possible without the support of our valued partners. I want to personally and publicly thank the folks at Key-Link Fence & Railing for sponsoring our new podcast. They have a great company culture story of their own and I look forward to Rikka Brandon sharing that story on an upcoming episode of the LBM Journal Recruit + Retain Podcast. As for where to find the podcast, it's everywhere you are. Check out LBMJournal.com/podcasts, or search for it on Apple Podcasts, Spotify, Google Podcasts, Amazon, or most any other audio content service.

— James Anderson
Editor



James Anderson

james@LBMJournal.com

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UPDATES

PEOPLE

Manufacturers Reserve Supply has welcomed back **Bernie Anton** as part of its outside sales team.

Tractor Supply has announced that **Matthew Rubin** has been named senior vice president and general manager of Petsense.



ANTON



RUBIN

Nancy S. Loewe has joined **Weyerhaeuser** as the company's new CFO.

BlueLinx has announced the appointment of **Carol B. Yancey** to its board of directors.

SRS Distribution has named **Ryan Nelson** the company's new CFO. Nelson succeeds **R. Scott Vansant** who will remain with the company as executive vice president.

ODL has named **Celeste Wegener** the company's new vice president of product and brand management.

INDUSTRY

DuraLife by **Barrette Outdoor Living** recently announced a multi-million dollar investment in upgrades at its Biddeford, Maine facility that will double the production of composite decking materials in 2021.

Trex has been named to *Forbes* magazine's list of best mid-sized companies, ranking 12 on the list of top 100.

Altenloh, Brinck & Co. US, Inc., manufacturer of **SPAX** engineered fasteners, is celebrating the 40th anniversary of the **TRUFast** brand.

DISTRIBUTION

Parksite will now distribute **RDI** by **Barrette Outdoor Living's** Finyl line as well as **Versetta Stone** mortarless stone veneer through its Lakeland, Florida location.

Wausau Supply Co. has announced the opening of new distribution facilities in West Unity, Ohio; Murfreesboro, Tennessee; and Butte, Montana.

Sioux Falls-based **Sprenger Midwest** has expanded its line of the **Armadillo Composite Decking Lifestyle Collection**.

Powerhouse Building Solutions will distribute **Fortress Building Products** in Canada.

MERGERS & ACQUISITIONS

Banner Solutions has acquired the wholesale division of **Builders' Hardware & Supply**.

SRS Distribution has acquired **JB Wholesale** in California.

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

PRIVATE RESIDENTIAL SPENDING UP 3.1% IN DECEMBER

National Association of Home Builders analysis of Census construction spending data shows that total private residential construction spending rose 3.1% in December 2020 to a seasonally adjusted annual rate of \$691.0 billion. Total private residential construction spending was 20.7% higher than a year ago.

The monthly gains are largely attributed to the strong growth of spending on single-family and improvements. Single-family construction spending rose to a \$365.0 billion annual pace in December, up by 5.8%. It was 20.7% up from December 2020. This is in line with the strong readings of single-family housing starts, NAHB reports. Remodeling spending, which include spending on remodeling, major replacements, and additions to owner-occupied housing units, inched up by 0.4% in December. Meanwhile, multifamily construction spending inched up 0.1%, reaching a new record high. It was 17.8% higher since a year ago.

DECEMBER PENDING HOME SALES REGIONAL BREAKDOWN

The Northeast PHSI rose 3.1% to 112.0 in December, a 22.1% increase from a year ago. In the Midwest, the index fell 3.6% to 111.7 last month, up 13.9% from December 2019.

Pending home sales in the South increased 0.1% to an index of 150.6 in December, up 26.6% from December 2019. The index in the West was unchanged in December, remaining at 111.3, which is up 18.9% from a year ago.

Realtor.com's Housing Market Recovery Index, which reveals metro areas where the market has recovered or even exceeded prior trends, showed Portland, Ore.; Las Vegas, Nev.; Denver, Colo.; Los Angeles, Calif.; and Boston, Mass., had enjoyed the most significant recovery as of January 16.

HOUSING STARTS DROP 6% IN JANUARY

Housing production softened in January as rising lumber prices continue to affect the housing industry. Overall housing starts decreased 6% to a seasonally adjusted annual rate of 1.58 million units, according to a NAHB report from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

The January reading of 1.58 million starts is the number of housing units builders would begin if development kept this pace for the next 12 months. Within this overall number, single-family starts decreased 12.2% to a 1.16 million seasonally adjusted annual rate. The multifamily sector, which includes apartment buildings and condos, increased 17.1% to a 418,000 pace.

Overall permits increased 10.4% to a 1.88 million unit annualized rate in January. Single-family permits increased 3.8% to a 1.27 million unit rate. Multifamily permits increased 27.2% to a 612,000 pace.



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CONSTRUCTION INPUT PRICES SURGE 2.5% IN JANUARY

Construction input prices increased 2.5% in January 2021 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 2.1% for the month.

Construction input prices rose 4.8% from a year ago. Nonresidential construction input prices experienced a 4.2% increase over that span. Softwood lumber prices are up 73% on a year-over-year basis and iron and steel prices are up 15.6%. Natural gas prices have climbed 30% over the past year, while crude petroleum prices have declined 10.5%.

HOUSING REMAINS ECONOMIC BRIGHT SPOT, BUT CHALLENGES PERSIST

As the country continues to rebound from the impact of the COVID-19 pandemic, housing has been a bright spot in the economic recovery. And while the home building industry is poised for another solid year in 2021, regulatory and supply-side challenges could harm housing affordability, slowing momentum and limiting growth, according to economists speaking at an online press conference in conjunction with IBSx, the 2021 virtual International Builders' Show.

As the nation ramps up deployment of COVID-19 vaccines this year, this will be good news for the overall economy and strengthen housing demand but will also place upward pressure on interest rates, which may price additional households out of the 2021 market.

As for the biggest short-term challenge facing builders, "it is undoubtedly lumber prices. Pricing is now near the peak of mid-September and easily adding at least \$16,000 to the cost of building a typical new single-family home," said NAHB Chief Economist Robert Dietz.

TOUGH CALL ANSWERS

ANSWERS TO OUR JANUARY TOUGH CALL SURVEY:

TO BUY OR NOT TO BUY...

BUYING A COMPANY IS A BIG STEP. BUT TO BUY A COMPANY DURING A PANDEMIC TAKES A LEAP OF FAITH. HERE'S HOW READERS WOULD HANDLE THIS TOUGH CALL.



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BUY. Do your due diligence, and if everything's in order, pull the trigger and buy your competitor. This takes them off the market and helps position your company for growth.

4.4%

NO. Our industry managed to have strong sales in 2020, but the pandemic is still part of our reality. With so much uncertainty, now is not the time to take on fresh debt.

14.1%

WAIT. Don't feel forced to move more quickly than you're comfortable. While this may be the right move, do it on your timeline. If someone else buys it first, so be it.

14.1%

ROLL THE DICE. Offer a structured earn-out. That reduces your risk as well as your initial cash outlay—but it's not as attractive to the sellers, who want cash. It's a gamble you may lose.

THANKS TO EVERYONE WHO VOTED ON THE JANUARY SURVEY. SEE PAGE 64 FOR THE MARCH TOUGH CALL: "THE BATTLE OF KAREN"

KITCHEN & BATH ASSOCIATION PREDICTS 16% MARKET GROWTH IN 2021

The National Kitchen & Bath Association (NKBA) has released its 2021 Market Outlook report, and the group says the industry is poised for continued growth with overall spending for both kitchen and bath projects to increase in the coming year. The industry anticipates a pronounced rebound in overall industry growth—from -5.9% in 2020 to 16.6% in 2021, compared to 9% in 2018 and 1% in 2019.

Homeowners cite the kitchen and bath areas as two times more important than other spaces within the home, and the kitchen particularly gained status throughout the COVID-19 pandemic, with 70% of homeowners considering it extremely important compared to 64% prior to the crisis. With a renewed focus on these rooms, the industry projects a tailwind of big interior projects, including indoor kitchen remodels. This year may see a shift from the DIY boom of 2020 toward jobs that require a kitchen and bath professional, many of which may have been postponed by homeowners during the pandemic, due to health-risks associated with having someone inside the home.

"After such a strong year for home remodeling in 2020, some wondered if we were approaching a home improvement spending 'cliff.' We're pleased to say that's not what the kitchen and bath market is expecting in 2021," said Bill Darcy, NKBA CEO. "Last year, homeowners started the work of improving their living spaces with DIY projects. And this year, with early distribution of the vaccine and other measures to reduce the public health impact of the virus, we expect to see continued renovations and more projects requiring our members."



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BUILDER CONFIDENCE RISES SLIGHTLY

Strong buyer demand helped offset supply chain challenges and a surge in lumber prices as builder confidence in the market for newly built single-family homes inched up one point to 84 in

February, according to the latest National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI).

Derived from a monthly survey that NAHB has been conducting for 35 years, the NAHB/Wells Fargo HMI 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.



The HMI index gauging current sales conditions held steady at 90, while the component measuring sales expectations in the next six months fell three points to 80. The gauge charting traffic of prospective buyers rose four points to 72.

Looking at the three-month moving averages for regional HMI scores, the Northeast rose two points to 78, the Midwest fell one point to 81, the South dropped two points to 84 and the West posted a two-point loss to 93.

Builder confidence fell in January on rising materials costs and an increase in COVID-19 cases.

HOUSING SUPPLY IN RURAL AREAS DROPS A RECORD 44%

The number of homes for sale in rural areas nationwide declined a record 44.4% year-over-year in the four weeks ending January 21, and fell 38.4% in suburban areas, according to Redfin.com analysis. Those mark the biggest annual inventory drops since Redfin started tracking this data in 2017.

The shortage of homes for sale is more severe in rural and suburban neighborhoods than urban areas. In urban neighborhoods, the number of homes for sale dipped 16.9% over the same time period, less severe than the 21.5% drop seen in May and June.

“The scarcity of rural and suburban homes for sale is driving the overall housing supply shortage. Many homeowners are staying put, and homes in those neighborhoods are snapped up as soon as they’re listed for sale,” said Redfin Chief Economist Daryl Fairweather. “Homes in rural and suburban areas remain popular as the pandemic and remote work continue to motivate buyers to prioritize indoor and outdoor space over commute times and urban amenities.”

“Buyers looking for homes in urban areas—where supply is down, but not by as much—will have more luck than buyers searching outside the city,” Fairweather continued. “Developers are focusing on creating new homes outside city centers, where there’s more room for sprawl, but that could mean the shortage in urban areas will worsen over time, with fewer homes being built.”

The total number of homes for sale fell a record 34% year over year in the four weeks ending January 17, and new listings were down 10%, the biggest drop in seven months.

New listings of homes for sale were down 6.3% year over year in rural areas during the four weeks ending January 21, and they were down 5.6% in suburban neighborhoods. Meanwhile, new listings in urban areas were up 1% from the year before.

New listings dropped by nearly 50% year over year in all three neighborhood types in the four weeks ending April 20, at the onset of the coronavirus pandemic. They were on an upswing in the fall before starting to see declines again in rural and suburban neighborhoods.

The lack of new listings and a surge in demand—pending sales were up 43.5% in rural areas, 35.1% in suburban areas and 32.4% in urban areas during the four weeks ending January 21—have contributed to the severe housing shortages.



LBM JOURNAL

PODCASTS



LBM SALES

HOSTED BY RICK DAVIS

Don't miss the LBM Journal Sales podcast, hosted by Rick Davis, the premier sales trainer and consultant in the construction supply industry. In each episode, Rick and guests explore what it takes to genuinely succeed—not just in sales and business, but in life.

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REMODELING MARKET CONFIDENCE HIGH AMID COVID-19 CONCERNS

The National Association of Home Builders' Remodeling Market Index (RMI) for the fourth quarter of 2020 posted a reading of 79, signaling residential remodelers' strong confidence in their markets, for projects of all sizes, NAHB reports.

"The remodeling market was consistently strong throughout 2020, as homeowners had more time on their hands to improve their homes and add space and efficiency," said NAHB Remodelers Chair Tom Ashley, Jr., CAPS, CGP, CGR. "However, activity slowed a bit at the end of the year as a result

of the rising Covid-19 cases and an increase in economic insecurity."

The RMI survey asks remodelers to rate five components of the remodeling market as "good," "fair" or "poor." Each question is measured on a scale from 0 to 100, where an index number above 50 indicates that a higher share view conditions as good than poor.

The Current Conditions Index is an average of three of these components: the current market for large remodeling projects, moderately-sized projects and small projects. The Future Indicators Index is an average of the other two components: the current rate at which leads and inquiries are coming in and the current backlog of remodeling projects. The overall RMI is calculated by averaging the Current Conditions Index and the Future Indicator Index. Any number over 50 indicates that more remodelers view remodeling market conditions as good than poor.

The Leading Indicator of Remodeling Activity (LIRA) released by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University, also demonstrated strong predictions for the year ahead.

2021 EVENTS

APR 13-14 National Lumber & Building Material Dealers Association Legislative Summit | dealer.org | **VIRTUAL**

SEP 7-10 FBMA CONVENTION AND TRADE SHOW | Orlando, FL

SEP 17-20 DO IT BEST FALL MARKET | Indianapolis, IN | doitbestonline.com

OCT 12-15 LBM STRATEGIES CONFERENCE 2021 | Boston, MA | lbmstrategies.com

OCT 21-23 National Hardware Show 2021 | Las Vegas, NV | nationalhardwareshow.com

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OSHA UPDATES GUIDANCE ON COVID-19 WORKPLACE SAFETY

The Occupational Safety and Health Administration (OSHA) has announced revised guidance for employers pertaining to workplace safety during the COVID-19 pandemic. The new guidance is a result of an executive order signed by President Biden which directed OSHA to issue stronger guidance on COVID-19 workplace safety.

According to the National Lumber and Building Material Dealers Association (NLBMDA), the revised guidance is not a standard or regulation, and creates no new legal obligations. "It contains recommendations as well as descriptions of existing mandatory safety and health standards. The recommendations are advisory in nature, informational in content and are intended to assist employers in recognizing and abating hazards likely to cause death or serious physical harm," NLBMDA said in an email to members.

The revised guidance builds on OSHA's original guidance outlining key measures for limiting the spread of COVID-19, including ensuring infected or potentially infected people are not in the workplace, implementing and following physical distancing protocols and using surgical masks or cloth face coverings. It also provides guidance on use of personal protec-

tive equipment, improving ventilation, good hygiene and routine cleaning.

NLBMDA said that the guidance recommends employers implement a COVID-19 prevention program and include the following essential elements:

- ▶ Conduct a hazard assessment.
- ▶ Implement protections from retaliation for workers who raise coronavirus-related concerns.

- ▶ Identify control measures to limit the spread of the virus.
- ▶ Adopt policies for employee absences that don't punish workers as a way to encourage potentially infected workers to remain home.
- ▶ Ensure that coronavirus policies and procedures are communicated to both English and non-English speaking workers.

BY THE YARD NEWS FROM LUMBERYARDS AROUND THE COUNTRY

JACKSON LUMBER & MILLWORK CELEBRATES 75TH ANNIVERSARY

Headquartered in Lawrence, Massachusetts, Jackson Lumber & Millwork is celebrating its 75th anniversary this year. Jackson Lumber & Millwork serves contractors, remodelers, and homeowners throughout eastern Massachusetts and southern New Hampshire. The company has been owned and operated by the Torrissi family since 1946.

R.P. LUMBER EXPANDS INTO IOWA

R.P. Lumber Co., Inc., a growing home improvement company with 71 locations, has announced its acquisition of Dick-N-Sons Lumber, located in Blue Grass, Iowa. Founded in 1901, Dick-N-Sons is one of the oldest lumberyards in the state of Iowa, R.P. Lumber says. Dick-N-Sons will operate under the R.P. Lumber brand with key team members continuing at the company.

ALLEN PROUGH NAMED PRESIDENT AT FACTORY BUILDER STORES

Kodiak Building Partners has announced the internal promotion of Allen Prough as the new president of Factory Builder Stores (FBS). The promotion was effective Jan. 1. Prough joined FBS in January 2018 and served as vice president of sales and marketing.

KODIAK PROMOTES KELLY FOX TO LEAD PACIFIC NORTHWEST

Kodiak Building Partners has created a new leadership position within its organizational structure, which the company says will expand its success in the Pacific Northwest. The new position of president, Kodiak Building Partners Pacific Northwest, will be filled by Kelly Fox. Fox joined Frontier Building Supply in June 2019 and has served as its president. Prior to joining Frontier, Fox was the CEO/trustee of Lumber Traders, Inc.

S.W. COLLINS DESIGNER EARNS NKBA CERTIFICATION

Lisa Plourde, designer at S.W. Collins Co., has earned the Certified Kitchen & Bathroom Designer credential with the National Kitchen & Bath Association, a trade association for the kitchen and bath industry. She joins a group of professionals that specialize in the design, planning, and execution of residential kitchens and bathrooms.

MONTANA'S MASSA HOME CENTER ACQUIRES TWO IDAHO YARDS

Massa Home Center of Hamilton, Montana has acquired Allied Builders Supply and Lemhi Lumber of Challis, and Salmon, Idaho. Founded in 1979 by Mike and Linda Massa, Massa Home Center has been owned and operated by their daughter, Deana Wolfe and her husband, Jeff Wolfe since 2012.

NATION'S BEST ACQUIRES BTU DO IT CENTER

Nation's Best has acquired Do it Best member BTU Do it Center, located in Las Vegas, New Mexico. As part of Nation's Best's acquisition strategy, BTU Do it Center will maintain operations under its existing name with its key leadership team overseeing company operations alongside Nation's Best.

US LBM OPENS UNIVERSAL SUPPLY LOCATION, ACQUIRES VILLAUME INDUSTRIES

US LBM's latest Universal Supply location is in New Castle, Delaware. US LBM has also acquired Villaume Industries, a manufacturer of wood trusses for new residential and commercial construction and of custom wood crating, boxes and pallets in Minnesota.



MCDOLE



WAGER

MIKE MCDOLE RETIRING FROM NATIONAL LUMBER

National Lumber has announced that Mike McDole, senior vice president of sales, will retire effective March 31, after nearly 20 years with the company. Continuing a tradition of promoting from within the company, National Lumber has announced the promotion of Dean Wagar to senior vice president of sales, and David Pelletier to executive vice president.



PELLETIER

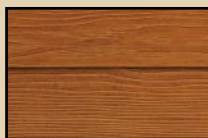
84 LUMBER PROMOTES BETHANY CYPHER TO VP OF REAL ESTATE AND DEVELOPMENT

Cypher started in the purchasing department and was promoted several times with the company. She most recently served as real estate & development director. In her new role, Cypher will oversee the company's real estate, design, permitting, engineering and construction teams.

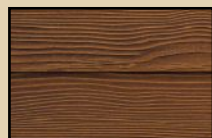


DEALERS, GOT NEWS?

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



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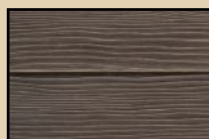
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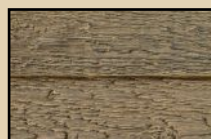
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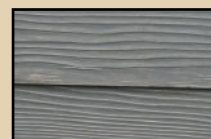
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In sales, confidence is half the battle

BY BILL LEE

IN THE GAME OF GOLF, like so many other sports, players who have a feeling of confidence that they can hit the ball where they are aiming, chip the ball close to the hole, or make a difficult putt are more likely to be successful than the players who are scared half to death their ball is going to end up in the middle of a water hazard.

The same is true in the profession of sales. Believing in yourself and having confidence that you are in control of the direction of your sales call has a way of removing the butterflies from your stomach.

Before I make a sales call, especially before I call on a large prospect, I pull my car into a safe parking spot and make some notes that I believe will give me the confidence I need when I walk into the prospect's office. Below is a sample of the kinds of in-depth notes that I recommend my clients make.

Reputation: I know my company has a good reputation for our ability to service builders the size of my prospect. Our yard foreman and dispatcher are both highly competent and have an excellent track record of getting material to our customer's jobs by the time they are promised.

Sales volume: Our company's sales have grown from \$8.2 million when we opened our doors in 1983 to over \$70 million. We have enjoyed this level of sales growth largely because our customer service has earned us a highly loyal client base. We could not have grown at this rate if our prices were out of line. We do high volume every month because our prices are competitive, and our service is dependable.

Quality: Our delivery equipment is relatively new and well-maintained. We have experienced CDL drivers who are well-trained in how to

operate our delivery vehicles. Year-to-date in 2021, we have achieved a 91% fill rate and 94% on-time delivery. We also operate three non CDL trucks that our inside salespeople drive to make emergency deliveries.

Purchasing: Our buyers have been with our company long enough to know our customers and the mills they prefer their material to come from. They also know the market and make it their business to be aware of what is going on, both at the mill level and locally. Our goal is to buy at or below the market, but never to the detriment of quality.

Sales service: I have personally been with this company for 13 years and I am the company's second highest producing salesperson. I have had the company's highest customer retention rate for the past six years. My sales coordinator and I have worked together as a team for the past eight years. Our sales team has averaged a 96.7% customer satisfaction level for the past six years, the period of time we have measured customer satisfaction.

Efficiency: We operate an online sales system that includes inventory, accounts receivable, and all transactions backed up with customer access 24/7.

I am available via my cellphone from 6:15 a.m. until 5:45 p.m. If I am in a meeting or on the telephone with another customer, my sales coordinator or I return calls in an average of 26 minutes.

I bring these notes to our meeting to make sure I document the key advantages we believe we are in a position to provide our customer base. ■



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

The fallacy of composition

BY RICK DAVIS

COMPETITIVE SALES advantage is a funny thing because it is important to success, but rarely lasts forever. As an economist by education, I always have been fascinated by the “fallacy of composition,” a theory espoused by the famous economist who influenced governments during the Great Depression of the 1930s, John Maynard Keynes.

The fallacy of composition states it is incorrect to presume that something which is good for an individual entity is necessarily good for the whole. The classic example cites a sports fan who stands at a football game to gain a visual advantage. The “competitive advantage” of standing lasts only until everyone else in the stadium rises. At that moment the view is shared by all as if they were sitting comfortably, but now they are all standing. No advantage.

Abundant economic examples have been cited over the years to illustrate that competitive advantage is never permanent. For example, the salesperson who lowers a price to earn a sale will discover the competitive advantage lasts only moments before a competing salesperson matches or reduces the price. Or an organization that accommodates a special delivery or service request will soon feel the pressure of a competitive dealer that quickly matches or exceeds the offer.

In no way am I suggesting that a salesperson or organization stop pursuing competitive advantage. Instead, I am stating that you cannot be lazy about it. In order to gain a lasting competitive advantage, an organization or salesperson must discover a formula that competitors find difficult to quickly emulate.

There are ways to create sustainable profit advantage, which many LBM dealers have cultivated by employing strategies for operational excellence. It’s my assertion, however, that although many salespeople have developed the skills to provide *individual* competitive advantage, few LBM dealers have truly differentiated their sales process enough to sustain a long-term *organizational* one. Your opportunity resides in the fact that differentiation is difficult.

A long-term competitive advantage begins by playing for long-term sales opportunities.

I’m not talking about the next few months or even the coming year. I’m talking about the next decade. We work in an industry that is aging rapidly. The next generation of buyers are in junior level positions within your existing customer base, which means your organization should have a strategy for connecting and sustaining a dialogue with your future audience.

A long-term competitive advantage means cultivating a sales process that becomes institutionalized within your organization. Instead of persistently hiring presumably competent, experienced salespeople, the better practice is hiring talented people, even without experience, and shaping them into skilled professionals that fit your culture and process. This, of course, requires that you establish standard sales protocols and a farm team of future sales leaders in your organization.

A long-term competitive advantage requires centralized data management, specifically *performance* management. If you’ve followed any of my work over the past two decades, you know I am not talking about measuring margins and sales volume. A credible sales leadership model measures *performance before results* as the means to produce predictable, desired results.

Winning organizations with a sustainable competitive advantage employ some form of database management—i.e. CRM. Winning companies don’t mock highly intelligent youthful people because of their cultural differences, but instead recognize that adaptation to their world is essential for future growth. I believe in hiring talent before skill; it is up to great organizations to teach the skills and protocols of sales success that produce long-term competitive advantage.

All the preceding strategies are slow, grinding processes, which is specifically why they are so valuable and advantageous! It takes years to build the data, personnel, and protocols of consistent success. No competitive advantages last forever. The ones that last the longest are the difficult ones to emulate. If you want to truly overcome the fallacy of composition to create a sustainable advantage, try building a culture of sales science that leaves your competition scrambling for years to emulate. ■



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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As employees retire, make sure their knowledge doesn't leave with them

BY RIKKA BRANDON

WHEN WE TALK about labor and recruiting, conversations (including my column last month) often turn to younger folks—how do we recruit a new crop of LBM stars? But you also need to be thinking about potential challenges with team members on the opposite end of the age spectrum: the droves of long-term employees who will be retiring soon and taking a whole load of internal knowledge with them.

Having career employees is wonderful—they're dedicated, and they know their stuff. But it also means they know things you and the rest of your staff may not, whether it's that your best customer only likes phone calls on Tuesdays or the latest requirements for making insurance claims.

In addition, the longer they're in the job, the more efficient they get at it. Most people absorb more tasks as they get better at them or as they seek to expand their talent or as they face shifts in staffing. This means older and veteran employees are likely doing more in their role than if you put someone new into the job. But you can't expect a new person's first day to look the same as the retiree's 5,000th day. In fact, you may need to consider hiring two people to take the place of one.

The time to plan is now. Here are some key steps to take:

1. Have frank conversations: For some of your long-timers, it may be tough to talk about retirement. For example, they may worry that you'll force them out early. And it may be something you want to avoid facing, as well. But having the conversation, as early as five to seven years out, is important so that you can plan ahead and so they can leave their role in the best hands possible.

2. Understand their job: Like it or not, your employees know more about doing their jobs than you do, and they've learned the nuances that equal success. Have a soon-to-retire employee write down *everything* they do or consider having someone shadow them for several weeks. This may be the only way to fully grasp

the small parts of a job that will fall by the wayside when the employee leaves (not to mention where everything is kept or filed).

3. Extract the knowledge: Just as important as what the employee does is how they do it. Have them provide step-by-step instructions for how they complete key tasks. For office staff and executives, one easy way to do this is with a Google Chrome extension called Loom, which allows them to shoot a screen capture video as they walk and talk through a task. You can also ask them to do quick voice recordings.

Grant Leavitt, of Marcus Lumber in Marcus, Iowa, takes it even further by doubling up on staff for a period of time that ensures a smooth transition from the retiring person to their replacement hire. He also will have team members record themselves in mock phone calls or other sales conversations.

4. Assess your workforce: Truly assess how much time it takes to do the soon-to-be vacant job. Will someone new to the role be able to accomplish it all? Should they? Younger generations place importance on work-life balance, and 60-plus-hour weeks are no longer a preferred determination of one's value. If a job needs to be split, it's probably cheaper to do so than to keep replacing people who get overwhelmed and quit.

5. Leverage their loyalty: Soon-to-retire employees can be an asset to your recruiting efforts. We want people to build a career with us—and what better way to do so than by showing them the folks who have? Ask long-timers to record a testimonial or be part of a marketing campaign to promote their experiences and why they have enjoyed having a career in LBM—and with you.

Encouraging these types of conversations and requesting an in-depth knowledge transfer can feel daunting. But it's a critical step to ensure a smooth transition from one generation to the next. Don't wait until it's too late. ■



Rikka Brandon is the leading recruiting and retention expert for the LBM industry. She's the CEO of BuildingGurus.com and founder of RecruitRetainRock.com where she helps building products business owners and leaders solve their recruiting and retention challenges with strategy, best practices, and access to experts.

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How extremes can affect your leadership

BY RUSS KATHREIN

LEADERSHIP inspiration can come in many forms. History, music, literature, or even movies. In a pivotal scene in the Star Trek movie “The Wrath of Khan,” Spock says, “Logic clearly dictates that the needs of the many outweigh the needs of the few.” This statement makes sense in real life in so many ways. However, how often in business do we find ourselves allowing the needs of the few, who may sit at the extreme margins of our business, dictate our business decisions? Many important decisions get derailed because we have a customer or employee who we know will not like the outcome of the decision, so we refuse to go forward—when we know that in reality the decision is the best thing for the majority of our customers or employees, or for the health of the business as a whole.

I have spent much of my career working in turnaround situations with businesses and operations. Usually, the first thing I find when I get to an operation in turmoil is fear. Fear of failure, fear of the unknown, fear of rejection, and fear of others. One of the primary weapons that people in that operation will use to fight change is to invoke those fears, and it usually involves bringing up the extremes.

In one market, it was clearly evident that we needed to change the way we were doing business. While in the long ago past the operation had been very successful our market share was dropping, and we were now unprofitable. Yet every time we met with the key players in the operation to discuss needed changes, the first objection that always came up was that *this* customer wouldn’t like the change, or it would adversely affect *that* customer. One person even went so far as to suggest that the legacy color of their trucks was the key to their success. We finally had to adopt a rule that we would look at every suggested change from an 80/20 perspective. If the change would bring a positive outcome that 80% of those affected would view as a positive (or be indifferent to it),

we would enact the change. We would then work with the other 20% to either win them over to the change or allow them some flexibility with the goal being to eventually bring them fully into the fold.

This different approach to evaluating new ideas had a huge impact on our success in changing our whole operation and the entire marketplace. Suddenly, instead of viewing changes from the prism of dealing with that one important customer who wouldn’t like the idea, we started to analyze the benefits that we would see with the majority of our customers. No longer were we holding our decisions hostage to the one employee who couldn’t keep up with technology or we knew would make things unpleasant. Instead, we were moving forward with implementing ideas that would help the company grow and bring more value to our customers.

A funny thing happened along the way. The 20% of our customers or employees who we anticipated would need special accommodations ended up being less than 5%. And as we started implementing ideas that became successful, some of those same customers and employees who were always called out as roadblocks actually started becoming the biggest cheerleaders for the changes we had enacted.

Once during a presentation to lumberyard owners and managers, I put together a list of *7 Ways to Put Money on Your Bottom Line*. Almost every one of those seven were tough decisions that we had to work through this change process, but each one surprised us at how well they worked and how much less the pushback or fallout was than we had feared from our extremes. I am happy to share those *7 Ways* free of charge with anyone who wants to reach out to me at russ.kathrein@icloud.com. I can almost guarantee that if you aren’t already doing some of them, you will balk at implementing them. But remember, it is the courageous who live long and prosper. ■



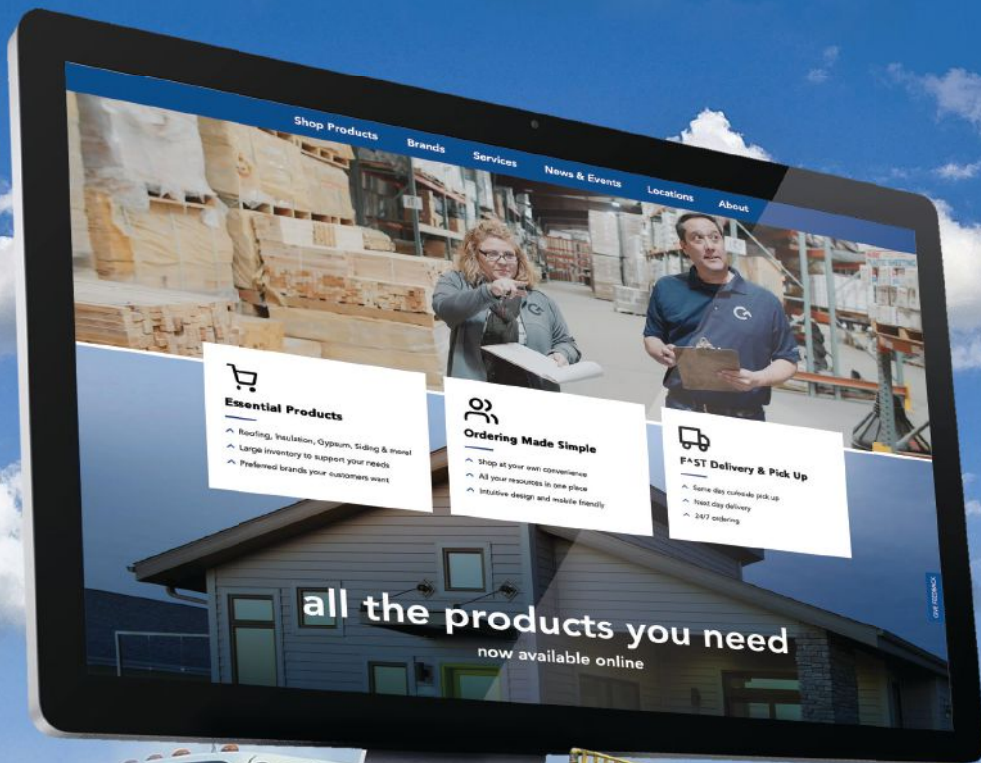
Russ Kathrein is with the LBM Division of Do it Best Corporation based in Fort Wayne, Indiana.

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What if customers refuse to pay finance charges?

BY THEA DUDLEY

Dear Thea,
I have been wrestling around for quite a few years on how to handle certain customers who refuse to pay or ignore finance charges that accrue on their account. I have no real procedure set in place, so I handle it on a case-by-case basis. I do not necessarily want to be the strong arm of the law and alienate my customers but I also do not want them to take advantage of me. Do you have recommended procedures on how to handle these situations? I appreciate your advice and any suggestions you may have that will help me be more consistent with this issue.

— Finance Fun in San Francisco

Dear Finance Fun,
“Where I come from, we don’t shoot horses when they get ornery; we tame ‘em.” That quote is from John Wayne’s character in the 1932 movie “Ride Him, Cowboy”. The plot of the movie is John’s character is going to save a horse that is on trial for murder by taming it. Now, I do love me some John Wayne westerns, but seriously, a horse on trial for murder? Everyone knows it is always the rider’s fault.

The message, however, works for us in this situation. “We don’t send customers letters they will ignore when they become ornery; we educate them.” A little patience goes a long way. I have always viewed finance charges as a tool that can be leveraged for a chance to have a conversation with my customer.

I love the line, “We don’t pay service charges.” Well, you don’t pay your account on time either, which is how you got the finance charge, so what exactly do you do? By the way, most people do not find my piquant wit amusing when it is used on them.

If it is the same chronic customers on your list (and from your email I am assuming it is) then take a global look at the account. Tap into

your sales reps’ knowledge of the account. How does this customer do business? What business segments do they work with? Are they contract based, government, homeowner? What types of projects make up their work?

The information you discover may tell you the account was set up to fail from the beginning. They may have projects that pay in 45-60 days and will NEVER be able to make a 30-day term.

Once you have a little insight, call the accounts payable person or the owner. Ask them flat out what is keeping them from paying on time. Do they need job accounts set up? Are they all AIA billing so this is jamming them up? There’s no substitute for a direct conversation with your customer to find a way to set the account up for success moving forward.

If they are non-responsive or if they respond but more like the classic “We don’t pay service charges,” then you have a few choices:

1. How valuable is this customer? It may be a business decision to just remove the charges. Everyone acknowledges they are never going to pay them, so just turn them off, accept it, and opt out of the madness.
2. Put the account on Hard Hold until they pay the finance charges (seems extreme but really depends on the circumstances. If you have to, you have to).
3. Offer a solution of splitting the charges with them but moving forward, they need to get that bill paid on time. You can do a “one time” absorb the charges, but moving forward let’s get our poop in a group and get this paid on time.

I am not a big fan of the snail mail, but I do follow up the conversation with an email recap. That way we both have a historical record of what went down, and no one had to ride herd over anyone to get it done. ■



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

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What explains the white-hot LBM M&A market?

BY JOHN WAGNER

IT'S IMPOSSIBLE TO MISS today's white-hot LBM M&A market. Nearly every LBM Daily email newsletter from *LBM Journal* brings news of another LBM dealer being acquired by a private equity group or strategic acquirer. Make no mistake; there's a race underway...a roll-up race by acquirers to consolidate lumber dealers into their portfolios, driven by a fragmented market sector ripe for consolidation, low interest rates, and a housing boom.

There was already a steady low-boil of M&A activity in early 2020. But then, last November, fuel was thrown on the M&A bonfire: U.S. LBM announced that it was being acquired by Bain Capital Private Equity.

Google Bain if you don't already know its sterling reputation. Starting in 1984, Bain has acquired some 940 companies. Working in multiple industry sections, Bain has typically packaged various acquired companies into larger companies, which Bain has, or eventually will, sell off. (This is just what US LBM has done since 2009; a sort of *mini-me* Bain.)

So far, Bain has "exited" around 496 of its acquisitions, turning an impressive internal rate of return. You can eventually expect the same with Bain's LBM dealer holdings.

When Bain jumps into an industry sector, it's a signal that the industry has become so attractive that a top-flite private equity group has taken notice of a serious opportunity...and has opened its checkbook.

Recognizing the same opportunity that US LBM has seen, and that Bain now sees, other private-equity-fueled acquirers and strategic investors are creating their own empires, rolling up LBM dealers as fast as you can say "multiple of EBITDA."

Here are just the major deals:

- ▶ Platinum Equity sold PrimeSource to Clearlake Capital Group.
- ▶ Foundation Building Materials and Beacon both acquired by American Securities.
- ▶ The Home Depot acquired HD Supply, after HS Supply sold Construction & Industrial-White Cap to Clayton, Dubilier & Rice.
- ▶ Clearlake Capital Group acquired TKE Holdings (Dimora Brands).

- ▶ BMC Stock Holdings merged with Builders FirstSource, and acquired TW Perry.

And that's just a fraction of activity, the larger deals. To what end are all these acquisitions?

Perhaps these acquirers will eventually sell their aggregated business portfolios to Bain. Or perhaps their aim is to draw Bain into a bidding war with another acquirer for market-topping prices down the line. One thing is clear: What defines today's M&A market is three categories of businesses: You're either a buyer, a seller, or a company that risks being left behind to compete with increasingly large groups of affiliated dealers that can take advantage of scale and buying power to drive down your margins.

RECAPS RULE

Not surprisingly, many of the acquisitions we are seeing are recapitalizations ("recaps") where—as part of the purchase price—the acquirer grants stock to the sellers, so they have some ownership in the Newco being joined (or formed) by the acquisition. (Stock issued in a recap also reduces the cash the buyer needs for the acquisition.)

Is it time you get in the M&A game? *Yes.* We are at near-term peaks for prices being paid for companies. But there's another reason: Being an early member of a consolidation effort, and taking stock as part of your selling price, can give you an advantageous equity position if the Newco splits those shares or there is a liquidity event. (For instance, *just imagine* the value of first-in shares of US LBM today.)

Is 2021 the new 2006, just before a downturn? If the economy does turn down, you will have to wait out another economic cycle to attain the prices you can get today, and that often takes three to four years, depending on how deep the cycle goes.

There is an interim step you can take. First, note that even if you went to market today, the entire process easily takes four months. Why not hire an investment banker, prepare a deal book, and test the water with acquirer to see what you can get for offers, terms, employment agreements, and stock? ■



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

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Safety is our number one core value. From the seller who wins your order to the forklift operator who fulfills it, Weyerhaeuser Distribution's distinct focus on safety is the primary driver for all daily activities. Each Weyerhaeuser Distribution associate takes ownership of this value and has authority to intervene if safety is ever in question.

COMMUNITY OF CARING

Weyerhaeuser Distribution is deeply connected to the communities where we operate, and we have a long history of doing our part to help them thrive. Every year our 18 distribution centers invest in our communities through direct grants, volunteerism, and partnerships.

INCLUSION FOR ALL

Across Weyerhaeuser Distribution, we believe in the power of building a diverse, equitable and inclusive work environment where all associates feel heard and valued, have equal opportunities to grow, and are empowered to share and implement their ideas for making our company better. Our goal is to build a culture and reputation as a great place to work for all people. With partnerships with outside experts for advice on how we can improve, Weyerhaeuser has identified 12 focus areas and targets to accelerate. We still have work to do, but we are committed to dedicating the time and resources to drive meaningful change across our businesses.

SUSTAINABLE PRACTICES

Weyerhaeuser Distribution continues to build our business for the long haul, starting today. Right now, we are converting all our distribution centers to motion-activated LED lighting in our warehouses to reduce energy waste and improve cost savings. We have invested in technology-driven recycling programs to identify additional opportunities to reduce on-site waste. Many of our approaches to sustainability can also be transferred into practical application in our dealer customer locations. Interested in learning how? Connect with your local Weyerhaeuser representative for operating support.

TECHNOLOGY ADVANCEMENTS

Weyerhaeuser is committed to providing the best service whether in person, on the phone, or digitally. We are investing in an upgraded order management system to better service dealers in the mode you prefer. These changes will not reduce or replace touchpoints with you, but rather offer new opportunities to streamline and simplify how we do business. You can always count on our superior customer service no matter how a transaction occurs.

ACTING ON CUSTOMER NEEDS

At Weyerhaeuser Distribution, we can't be successful without you. We continually evaluate the product landscape to bring the best brands to you – and our team of dedicated professionals are always willing to listen, learn and provide proactive solutions to support your goals.

Whatever this next year holds, you can count on Weyerhaeuser Distribution to be your supply partner for the next 100 years – and more.

WY.COM/DISTRIBUTION





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We build on our promise to earn your trust with each delivery.

From our distribution centers to your yard – we take pride in listening to your needs, understanding your customers' goals – then delivering the best service and building products in the business. You can rely on Weyerhaeuser Distribution to be your partner – and we look forward to helping your business grow.

For more information about what we can offer you, go to

Weyerhaeuser.com/Distribution



Weyerhaeuser



CONSOLIDATION: GOOD OR BAD?

With steady headlines of acquisitions of LBM dealers and distributors, industry consolidation is a hot topic among our readers. This month's Real Issues survey question comes from a Wisconsin dealer who asks what will happen when (and if) a few large corporations control LBM distribution. We posed that question to our readers, from full-line lumberyard operators to distributors and manufacturers. Of the 150 respondents to our survey, 66% indicated that the recent rise in consolidations is concerning. What follows is a sampling of how these readers feel industry consolidation may shape their company's marketplace.

BY LBM JOURNAL READERS

HOW WOULD YOU RESPOND TO THE DEALER WHO SHARED THIS QUESTION?

"There has been so much consolidation, with so many longtime independent LBM dealers and distributors being acquired by much larger companies. If this trend continues, I'm concerned about what will happen to our industry when just a few corporations control all the distribution. Do others share my concern, and if yes, what's the answer (if any)?"

RESPONSES FROM FULL-LINE LUMBERYARD/ BUILDING MATERIALS DEALERS AND SPECIALTY DEALERS

"This is a concern of mine and it applies to the major lumber and manufacturing companies as well. The last several years have seen considerable change and consolidation. My fear is that suppliers will begin to only focus on big boxes and very large dealers in the \$100 million category and not support the smaller folks like me that helped to build these companies with service and loyalty to them and our customers. We already run into 'exclusives' with the likes of Home Depot and Menards."

"We, as small, single-store lumberyards, are a dying breed. We support our communities and have a good customer base now, but we have a Builders FirstSource and Alpine just 45 miles away. Now that BMC and Builders FirstSource have merged, there will be no way we can compete on pricing. Both have rail spurs in their yards, and the buying power will be huge. I hope we can last a few more years."

"The manufacturers have sold out to the box store industry and one-steppers. Until the independents pull their heads out of the sand, we're on the fast track to an endangered species. Leadership from an existing organization needs to step up and lead."

"I don't know if there is an answer. Even if a company isn't actively for sale, if a high enough offer comes the majority of older owners would sell. The less competition there is, the more the prices will rise."

"We keep seeing the larger companies in our area being bought by the giants. It makes me wonder why the buying groups keep inviting the foxes into the hen house. Some already are loaning money to keep members."

"We worry about what we can do to have a point of differentiation from the big national chains. We have two in our market area and we are bigger than both of them (probably combined). We have better supply, service, and OTIF than they do. We feel you just need to be really good at what you do and give customers no reason to change. We are also very diversified and have the production capabilities to match their sourcing of components and millwork."

"I acknowledge that it can be a concern, but the 'accumulators' also have problems themselves because they are generally owned by private equity groups that are typically highly leveraged and unable or unwilling to invest much into each acquisition. Furthermore, they generally have a short-time ownership horizon. I believe the operative expression for this situation is 'pump up and dump.' Stick to being a good operator with solid customer service and building solid relationships and, over time, independent operators should do fine."

"We need to continue to differentiate our offering in ways that remain extremely relevant to our target audience."

"Yes, I think competition is a good thing. It keeps everyone honest."

"I'm concerned that the manufacturers will favor the larger dealers and distributors, thus driving the little guys out of business. We already are seeing favoritism toward them now. They're already receiving priority status on hard-to-get materials, etc. The only things we have over the big box is our ability to adapt quicker and to offer better service."

"You simply have to look at what has happened to other industries that have already been through an industry-wide consolidation to see where the LBM business is heading. Look at the grocery industry. We've given up a lot of local creativity and wisdom to have fewer choices, lower quality, and less connection to our communities simply to achieve minimally lower prices for the consumer and higher margins for the consolidating companies."

"I am concerned it may limit distribution in the LBM industry. We independents may have fewer sources to purchase from. It also puts pressure on our support organizations. Our lumber associations provide education and political representation services. With fewer members because of consolidation, associations are also getting squeezed by this continuing trend of consolidation."

"The demand is outpacing the current ability to produce. This is just driving the cost of all material up beyond anyone's expectations. Yet it still does not seem to be slowing the sales of homes down. Now with many things being delayed due to COVID-19 it will be an interesting 2021."

"My main concern is with all the small independents being bought up, that special connection with their individual communities will be lost. That connection is what makes each individual business special and unique."

"My hope is that there will be competition between these much larger entities. Since there is nothing we can do about this consolidation, I think we just have to navigate between them as best we can. Yes, it does concern me." ➤

"My concern isn't so much about controlling the price of materials, as the large LBM companies will always be competitive with each other. My concern is that the level of service and product availability in rural and smaller markets will be less because they are not markets that appeal to the larger yards. Smaller independent yards will only have a tougher road in remaining profitable as this trend continues."

"When we see the majority (if not all) of a mill, or an entire industry production capacity contracted to a few entities, the squeeze on the independent dealer is obvious and makes the independent model unsustainable. Strong co-ops/ buying groups hold the answer but will need to modify their models to combat consolidation pressure and continue to provide value to the membership."

"Big dealers can make better deals than smaller dealers. I fear that one day manufacturers won't take independent dealers as seriously as they should."

"We operate a chain of lumberyards that gets 95% of our sales from pros and we are completely surrounded by the newly-conjoined, publicly-traded roll-up that now has sales in excess of \$11 billion. You probably know who this is. Fortunately for us and the other independents in our market, this company has continued to focus its resources and energy on growing their sales revenue and geographic coverage rather than investing in the assets that might improve the effectiveness of their local operations. This has allowed us privately-owned independents the ability to focus our resources on the local market and generate an acceptable return for our shareholders. I suspect our situation is replicated across the U.S."

"I believe we are heading for more and more consolidation as retiring independent operations are being gobbled up by large corporations. It's an opportunity for those wishing to be something other than a cookie-cutter operation."

"Grow or die. It sounds harsh, but very few businesses of any type last beyond the original owner. A handful may make it to the second or third generation. The generation that came home from W.W. II, got a truck and a few employees to serve the building trade has passed on. Mergers and acquisitions have replaced new stores as a way to grow the business in the 21st century. I don't like it, but unless and until people grow tired of big LBM like some of the backlash against big box stores, smaller retailers will continue to fade away. Small LBM dealers may find a niche market for a subset of the builder market (such as custom homes), but the big fish are getting hungrier and the minnows are their lunch."

"It would be nice if there were an answer. Greed rears its ugly head, and the mighty get mightier. Just look at Walmart and Amazon. They're running mom and pop stores out of business by the thousands."

"I think there will always be a place in the market for independent distributors and dealers that are well-run and attuned to their customer and vendor bases. The consolidations can make the experience for customers and vendors less personal, and in many cases the consolidated entities are less nimble and have a harder time making point of sale, point of purchase, and point of service decisions that an independent company can make on the spot. The larger concern is the availability of distributed product (engineered wood, sidings, etc.) whose production is contracted for by the larger consolidated entities. Don't look for an external resolution to the challenge. The answer for independent dealers and distributors is to run more efficiently with a focus on the following (in this order):

1. Maintain and develop great vendor relationships (don't be a pain to work with) and always remember that you can't sell from an empty wagon.
2. Focus on your good customers and make sure they see the value of doing business with an independent company—there is a value there—find it, exploit it, promote it. Take the emphasis off of price and put it on value.
3. Look for substitute products for items that have been tied up by large companies—if you maintain a great relationship with these vendors it may help when the time comes to protect you against losing your source to a large company's purchasing power.
4. Be willing to review and diversify your product line and services—look for niche areas that can help you maintain and grow your customer and vendor bases.
5. Take care of your good employees and get rid of the bad ones. Promote from within. Good employees can make up for sporadic deficiencies in other areas. For example, a delivery driver that your customers recognize as courteous and helpful, but maybe is little slow is just as valuable as one who is very efficient and fast. I only get compliments on the quality of my courteous, helpful driver, which helps with customer relations."

"Nothing. The current state of the FTC, SEC nor any other federal agency is to let the competition roll. In the future, you can take your clue by what happens to social media companies. If they are forced to break up, then you might look for this to happen in the lumber industry, but that is way, way, way down the list."

"I do share the same concern to a certain extent. We cannot slow or stop the consolidations without first looking at a few reasons why smaller independent LBM dealers are selling out. The first and most-important factor is the resistance to change by those independents. All of our customers and products are vastly different today than they were 5-10 years ago. If we don't adapt to those changes the merger options look more and more appealing. Our industry had to re-think every approach to customer service when the big boxes exploded in growth and this threat is no different."

"Yes, we are concerned, but we think the consolidation may bring opportunities to service smaller customers that are not the target customer of the bigger national accounts."



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"It's a natural progression as business sectors age. In the past, lumberyards were passed down to the next generation. Now the next generation has other interest and don't want to do what their parents did. For many businesses, the choices are few: merge, sell, pay someone to run it, or close. Selling or merging gives the owner a chance to "pull the money off the table." Having someone run it has its own risks. Closing the business nets the least amount of return for many years of hard work. As for the future, there will always be smaller yards in remote and harder-to-service areas; or specialty yards that can survive and thrive in more urban areas. But overall, we are definitely seeing a reduction in our numbers."

"In almost every market a large independent holds the number one spot. Many will sell, but others will sprout up to take their place. Large corporations are slow and cumbersome, and by the time they react the trend is already changing. Know what your competition is doing but focus more on what your customers need. Keep your IT up to date; if you act like a dinosaur you will go the way of the dinosaurs. Manage your business with a long-term perspective. Big companies are managed quarter-to-quarter for their share price. Finally, lead your associates for efficiency and longevity. High profit dealers pay their associates more but in return those associates produce much more than industry averages. Be lean and mean; big companies have layers and layers of management."

"Buying power is my main concern. Will our buying groups and associations be able to keep up?"

"Not a concern."

"A good independent can always beat a chain. Chains aren't locally based, don't develop the strong relationships this industry is known for, and aren't part of the fabric of the local market like someone who lives there for a long time. Chains usually sell on price and I don't want pure price buyers anyway. They can have them."

"It seems it will always be the David and Goliath story. We are a one location small independent store that has been in business for 49 years. All around us are the ProBuild, 84 Lumber, and Carter just to name a few. Builders expect kickbacks and will gladly even spend more to get back pocket money. We are not able to play in that game and it makes it a disadvantage. We survive by sheer tenacity. So, are we concerned? No. We continue to strive and do what we know best. It has served us well for 49 years."

"Yes, we saw this happen with the small mom and pop hardware stores. Loss of the personal connection was huge."

"No! Building is local."

"No, we are still relatively fragmented, and independents still have power to outperform consolidators."

"Businesses all go through life cycles. Business owners grow old and deserve the ability to transition to retirement and take chips off the table. The good news for independents is that the big acquirers never make the acquisition better. They almost always shrink the business and lose key people and customers. Big manufacturers will partner with big distributors. That always leaves other manufacturers that are hungry to help you gain market share. Don't partner with vendors that are entrenched with the national distributors. Find the #2 or #3 and work hard with them to compete. Bigger is not better—better is better."

"Consolidation is not new, but we are in an active period of the M&A cycle. Acquirers are seeking out the best performing companies. To compete in the future, all businesses must utilize the best practices to ensure that they will survive and thrive. If you do so, you will continue to be successful against any competition."

"I am not concerned as much as I am curious. Will they have to change their practices to fall in line with the company that bought them? Will that open new avenues for me?"

"I don't believe they will corner the distribution market any more than the big boxes have. Impact the market and distribution yes, the dynamic will continue to change to a certain degree, but frankly I would be a lot more concerned if we were not affiliated with LMC and did not have their clout available to us when purchasing commodities."

"In my city there used to be 12 independent lumberyards. Now there is just us and two Menards, two Home Depots, and two Lowe's stores. We have heard many times that customers are so grateful that we are here because they don't like the quality and service from the box stores. Unfortunately, we do not have unlimited advertising budgets or the buying power of the large stores. We are also concerned with the consolidation of the mills and wholesalers. There used to be hundreds of independent mills producing high-quality products but that has dwindled too. No answers other than try to hold on as long as possible."

"I am concerned about fewer companies controlling the production and providing the services necessary to provide quality, thoughtful distribution practices. As a full-service dealer, we aim to provide a personal touch in the way we communicate and fulfill our customers' needs. If a small service provider like myself cannot count on responsiveness in our vendors, we fail as a service provider in the eyes of our customers."

"Yes, I share your concerns. The nimble independent who is well connected with its manufacturers and suppliers can outperform the behemoth competitors every day. The problem is there is no pipeline of next generations who can compete with the acquirers' cash to buy Ma and Pa's businesses."

"Consolidation is standard in any business. Larger companies enjoy some advantages, but also struggle with competing against smaller, more nimble competitors. Identify and use that advantage in your local business."

"It is becoming clear that small stores may not be able to compete with large corporations. That said, many small, struggling businesses are consolidating with bigger small businesses in a way that is diversifying the market share. These companies are becoming nimble and providing the information and market share that the large corporations cannot or will not provide. Our industry is saving the smaller businesses by consolidation among the medium fish. Heck, the LMC is a prime example of co-operatives and small business working together to keep afloat."

"Not a problem."

"I feel it is a concern in the short term. In the long term they will lose touch with their customer base in many markets and there will be a new surge of single-location independents that will fill the demand that this creates. The unfortunate thing is that a lot of multi-generation legacy businesses will be lost as this happens."

"The fleecing of America! We have been talking about it since the 1990s, and it is only going to get worse. Collectively, we can put a stop to it, but we cannot do it without 100% commitment, discipline, and loyalty. Stop buying from the big box stores and start supporting your local small business owners. If you enter a place of business, and you are not able to speak with the owner because they do not actually work there, leave! Yes, we will pay a little more today, but I promise it will make for a much brighter tomorrow."

"Yes, there is some concern whether we will be able to acquire inventory at competitive prices or be disadvantaged by the consolidators. I am also concerned with current market multiples for acquisitions and what impact this will have on our acquisition strategy."

"Fight 'the man!'"

"Concentrate on what you can control and don't worry about what you can't control. There will always be a place for the independents on both sides."

"I think there will always be a role for strong, well-run independent lumberyards that are more agile than the larger companies. I feel like we are seeing a lot of consolidation right now because of the demographics of those in the industry and the generational gap between owners and the much younger next generation of leaders, but that 10-15 years from now there will be more options for yards wishing to remain independent to sell to those up and comers. It's hard to buy a yard as a 30-year-old (trust me) but will be much more accessible in terms of available capital/financing, experience, and life stage in another decade or so for many in the next generation."

"I believe there will always be some room in the market for smaller independent yards. Fair prices and a high level of service will keep independents going. They will have to focus their business model to take advantage of what they can and don't try to be everything to all customers."

"I am concerned about the consolidation, but more on the supply chain side than the competition side. I feel that well-run and well-financed independents will always have a space as long as they can purchase at competitive prices. With the shortages in the supply chain, the large corporations begin to contract for major chunks of the available supply. The open market for the rest will become more expensive. This will be a problem. Even worse would be if these large corporations are bought or if they buy the major suppliers. We've seen this in the sheetrock world."

"I guess the answer for an independent is to take a hard look at your business to make sure you are viable in your market and providing the services and products to retain customers and retain market share. If you run a first-class operation and customers choose you first, then business should be sustainable. If nothing else, this consolidation forces all of us to run our businesses better on a daily basis if we wish to remain independent."

"Everyone I know is concerned about this."

"Service will drop, and prices will rise. The answer is to continue to support a broad mix of distributors, so you are not limited. Also buy as much directly from manufacturers as you can."

"We can't control the competition, so we strive to do the best we can and continue to grow. Being a member of a large buying group helps level the field for now and hopefully our group can stay strong and increase upon our advantages in the future."

"The market will bear what the market will bear."

"With fewer distributors comes less competition for purchasing through secondaries. This will drive up price. At the same time, it can result in reduced payables to secondaries. This will hurt the smaller, less financially agile dealer. With fewer dealers comes less competition among dealers, thus allowing for better profitability against those who remain. Combined dealers will likely not be given larger credit by the mills and manufacturers, so the much hoped-for benefit of getting larger may not be realized on the buy-side. The answer? Get financially fit quickly."

RESPONSES FROM WHOLESALE DISTRIBUTORS AND MANUFACTURERS

"It is certainly a concern but looking from a positive perspective, the situation may create opportunities for those who want to control their own destiny and have autonomy by starting their own a lumberyard or home center. Consolidation will present opportunities and force people in our industry to be creative in a business environment that thrives upon competition."

"I am afraid that the knowledge that is learned from small to medium size yards will be lost and the large distributors will end up being more like bean counters than customer-focused." ➤

"We should all be concerned. Adam Smith's 'invisible hand' of perfect competition doesn't work if the industry is an oligopoly. Without perfect competition, we have higher prices, lower wages, and both quality and service suffer. I know we don't want to go the way of the airlines, and we don't want the government stepping in to block every transaction, but we are going to reach a tipping point. I don't know if there is an answer, but we all should be concerned."

"We've seen this before during markets like this. And we will see divestitures when the market slows. If companies become heavily laden with debt and redundancy, they will be less competitive and nimble. All things local."

"Focus on being everything the big guys can't be. It's different in every market, so find out what it is in your market. The big companies have layers of management that can be so full of themselves. They can hold in their feelings for a period, but when the right person gets pressure to perform, they'll be dictating what they believe will make a difference, which is to shoot first then ask questions."

"The dealer is right. Consolidation limits the choices and the personal touch that smaller operations can provide."

"I would be concerned if the companies buying are domestic or offshore-influenced. As a supplier, it is concerning as eventually a supplier may be bumped out, given a relationship with the major shareholder would be considered first. Offshore products are a bigger concern."

"Many areas of distribution are already being controlled by the big box stores, and their control will only grow stronger as they continue to go after the pro contractor. There must be a strong counterbalance in the industry to offset the box stores and that counterbalance will be achieved through roll-up groups, mergers and acquisitions. The answer is to have a strong niche in your market and be the best at it or find like-minded LBM dealers to partner with."

"I feel their pain from an associate or wholesale position. We deal with this almost on a daily basis. We try to align with who we think are the best partners for us. This is always a struggle."

"We've already seen the demise of many independent, family-owned yards, especially in the major markets. Similarly, there has been consolidation on the wholesale side, but much less than the retail. This is mostly because the third and fourth generations don't want to work as hard as their parents and grandparents did to build a successful business. They just see dollar signs."

"Consolidation has been going on since I was a kid (I'm 65 presently). I remember my grandfather telling me that Wickes was going to put every independent lumberyard out of business, then I thought it was going to be Builders Square after he had passed. I wish he was still here so we could laugh that we were both wrong! If your company has value, someone will buy it. If not, you will be put to a slow and miserable death. Most if the independents in our footprint that closed starting in 2008 were under-capitalized and struggling long before the recession. We lost over 200 independent lumberyards in our service area and wondered how we were going to survive. The hell with surviving. We have grown every year since. Just continue to get better at everything that you can control and not be focused on what you can't."

"Diversify, differentiate, and stay true to who you are."

"I own a 116-year-old company that's been in my family for 74 years. I am the third (and last) generation here, and I've worked and/or owned it for 57 years. The only thing that is stopping me from expanding to a second or third location is my age and being able to find the quality level of employees that I require. My business has a great business model that continues to grow with an 80% sales growth in 2020 over 2019. However, my wife, kids, and grandkids say I've worked long and hard enough, so it's time to retire."

"Customer service will suffer."

"I used to work at NAWLA, and they had around 360 of the largest wholesalers in the U.S. and Canada, and that still wasn't the whole universe. There have been consolidations, but even the largest manufacturers (i.e. Weyerhaeuser) only control around 4 to 5% of total manufacturing of lumber in North America. However, that does not account for regions of the country that may be dominated by groups acting as an oligarchy, or a group that specializes in certain sizes, species or product lines. But the Bottom Line is that there will always be competition and alternative products and species, and different logistical situations of which to take advantage! So, don't fret; get out there and learn the alternatives, or make a few in conjunction with a few friendly competitors as a cooperative. Contact suppliers in other countries. The potential is endless!"

"Capitalism."

"Consolidation cannot be a good thing, whether we're talking about dealers, distributors, or manufacturers. I'm not sure how we fight this monster."

"I fully agree, and many other small businesses do as well. Small businesses are the best way to maintain local employment and a healthy economy, but small businesses are feeling pinched. Additionally, the volume buying power of large corporations and willingness by some to under-cut prices to buy market share make competition unfair for small businesses. The best strategy is to foster healthy customer and vendor relationships and add value by providing a level of service that larger corporations cannot." ■

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

THE READER WHO SUGGESTED THE "REAL ISSUES" TOPIC WILL RECEIVE AN LBM JOURNAL PRIZE PACK.
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Congratulations to our 2021 LBM Journal Dealer of the Year Hamilton Building Supply!

Founded in 1924, Hamilton Building Supply is an independent family-owned and operated lumber and building material supplier in New Jersey, specializing in pre-hung door manufacturing, custom millwork, commercial doors, and tool rentals. This award recognizes their forward-looking business processes, operational excellence, and a rapid pivot to implementing e-commerce solutions. It's proven again and again. Only LMC Dealers can bundle extraordinary service, exceptional pricing, dependable availability, market intelligence and a commitment to the community. That's because LMC Dealers built their business by putting the customer and their community first.



As a member of the LMC national network of over 1400 locations, with billions of dollars in buying power, Hamilton Building Supply had everything needed to get the job done right.

There is no limit to what they can do.

Learn how LMC can help you, visit LMCDifference.com

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LBM JOURNAL DEALER OF THE YEAR 2021

ANNUAL SALES: \$10-\$50 MILLION

LBM JOURNAL'S DEALER OF THE YEAR awards recognize LBM companies of different sizes that epitomize the entrepreneurial spirit. By our definition, a Dealer of the Year describes a company in which leadership excels at identifying underserved—or emerging—markets, satisfying customers, and constantly working to grow and improve business. While these companies represent vastly different operations, the common thread is their fierce commitment to finding ever-better ways to serve their customers and their communities.

HAMILTON BUILDING SUPPLY FOCUSED ON THE FUTURE

WHEN JOHN PERNA returned to Hamilton Building Supply in 2019 with an MBA and deepened industry experience, he set course to implement best practices from companies that he felt were at the top of their game. So, Perna looked to retailers like Home Depot, Amazon, and Target to bring the best aspects of those companies to his family business, a single-location lumberyard in Hamilton, New Jersey. What he has created is a membership rewards and purchasing program that rival mega retailers yet serve the single-family homebuilder. That's why his company is our Dealer of the Year in the category of sales from \$10 to \$50 million.

"We use premier retailers as our benchmark at Hamilton," Perna says. "We learn from other companies that are outperforming, and for us that means participating in spaces that aren't common to LBM, one of which is e-commerce."

Perna says that while the initiative was put in place before the COVID-19 pandemic, the seismic shift that the virus caused to both the retail and homebuilding pushed Hamilton Building Supply quickly into online retail.

Under Hamilton's new e-commerce platform, customers can create accounts, quote and purchase products, view order history, create shopping lists, and put together estimates 24/7.

"The platform is a constant improvement every week. We're pushing more of our pro customers to use it. We're showing them how to use it on their phones and laptops, and we've been getting a lot of our customers to sign up," Perna says.





"Consolidation is rampant. If you want to maintain independence, you need to grow from within. You grow or you go, and our future is to be a quasi-distributor," explains John Perna, president of Hamilton Building Supply.

MEMBERSHIP PROGRAM

Following a Home Depot model and implementing a strong e-commerce platform has helped Hamilton "level up" as an independent dealer, he says. The company has also introduced HBS SELECT, a membership program that offers free shipping and free delivery, as well as a rewards system in which customers can earn a year-end purchase incentive.

"It's pretty much our version of Amazon Prime," Perna says. "We use the delivery fees that we charge non-members to augment the service we're providing to our HBS SELECT members. The whole goal is to create that customer 'stickiness.'"

In addition to HBS SELECT, all customers can utilize express pickup, something the company has actually been offering since 2005, and which most other retailers now refer to as "curbside pickup" since the pandemic began.

"Our goal is speed," Perna says. "How quickly can we get our customers in and out of our facility, or materials shipped to their jobsite? When they're not on the jobsite and are spending time in our store, they're not making money."

FAMILY BUSINESS

Hamilton Building Supply has always found success in "getting the details right," Perna says, and that goes back to its founding as a cement and lime supplier in 1924. The company grew and expanded inventory that eventually included lumber and building materials. >

Perna's grandfather, Jess Coleman, was a farmer in the area who worked at what was then known as Hamilton Supply in the slow winter months. In 1967, Coleman sold his farmland and, along with his brother, Earl, purchased the company. As often occurs in the industry, Jess Coleman eventually brought his sons into the business and Kim, Kip, and Keith Coleman helped their father grow the company to include specialized building divisions such as pre-hung door manufacturing, a custom millwork shop, a commercial door division, and an equipment rental department.

Eventually, Jess Coleman retired from the business and passed it on to his sons. Growing up in the family business, John Perna, stepson of Keith Coleman, worked at the lumberyard every chance he could.

When Kip and Kim Coleman retired, the company was run by Keith Coleman, who after a few years on his own, also launched DURATION Moulding & Millwork, a product line of siding and millwork accessory components fabricated out of poly-ash composite material. DURATION Moulding & Millwork is a subsidiary of Hamilton Building Supply and ships product throughout the country.

Located between Philadelphia and New York City, Hamilton Building Supply sits on a nine-acre site that serves customers from Central New Jersey, up the Jersey Shore, and into Eastern Pennsylvania and parts of Maryland. Operating as a single-location lumberyard, Hamilton added a cabinetry showroom about 20 minutes away in Newtown, Pennsylvania in 2010.



Today, the company is run by John Perna, president of Hamilton Building Supply. Perna first worked fulltime in the family business in 2008. He graduated college early to fill a sales position at the company only to face the housing crisis and the Great Recession shortly after.

"We went from a \$28 million company to a \$15 million company practically overnight, and yet I was optimistic. We had nowhere to go but up, so we focused on getting details right for customers and serving them above all else. We focused on carrying high quality, innovative products."

When Kip and Kim Coleman retired, Perna's role was expanded and he was promoted to general manager in 2016. He pursued an MBA from the Villanova School of Business, and ultimately decided the best move for his career was to gain experience outside of Hamilton Building Supply. He worked as a national sales manager at a product marketing company, and as a director at a building materials company. In 2019, he returned to Hamilton Building Supply as company president.

"While I was away, Keith developed DURATION and while that company has grown, I've run Hamilton Building Supply."

Hamilton Building Supply serves a customer base made up 90% of pro builders and contractors through 65 employees, eight of whom are architectural sales associates, and seven who serve inside sales roles.

When many businesses faced layoffs during the COVID-19 pandemic, Hamilton Building Supply added four new sales associates, an operations manager, and a financial controller.

"We got hit really hard economically from COVID-19 March through June," Perna says. "Knowing how hard it is to find good people in our industry, we just had to figure out a way to keep our group together. People remember how they're treated, and so for us our single best decision we made was to not let anyone go due to a knee-jerk reaction to sales numbers."

FIVE PILLARS

Sales numbers at Hamilton Building Supply are steadily increasing and expected to be \$25 million to \$28 million in 2021. The goal for 2022 is \$30 million, Perna says.





The LBM management team of Hamilton Building Supply.

“We are partners in our customers’ business,” he adds. “We can only achieve that by having a talented sales team. Sure, we’ll sell lumber, commodities, and the easy stuff. But we really focus on getting the hard stuff right. We specialize in doors, windows, and millwork. We have our own interior door shop to produce better quality door units with faster lead times. We need to be able to respond faster than anyone else in our business. Whether that’s to keep projects moving forward, same-day or next-day delivery is an expectation for us.”

Perna’s focus led him to introduce Hamilton Building Supply’s Five Pillars: a philosophy he says leads to successful customer retention and “brand stickiness.”

1. Right people, right seats
2. Better, faster, sharper
3. Chain of performance—collaborative team relationships
4. Culture that continuously improves
5. Black on the bottom—every division is wholly profitable so that the company is profitable

LOOKING TO THE FUTURE

“Growth is a big part of our company right now,” Perna says, but that doesn’t necessarily mean growth by acquisition. Perna is focused on operating the current location to the best of the company’s ability.



GET TO KNOW HAMILTON BUILDING SUPPLY

FOUNDED:	1924
LOCATIONS:	ONE + SHOWROOM
OWNERSHIP:	FAMILY
EMPLOYEES:	65
BUSINESS SOFTWARE:	EPICOR
BUYING GROUP/CO-OP:	LMC PHILADELPHIA RESERVE SUPPLY
TOP THREE BRANDS BASED ON REVENUE:	MARVIN WINDOWS ANDERSEN WINDOWS BORAL TRU EXTERIOR

“We have a clean, flat, nine-acre facility with a 40,000 square-foot warehouse on a rail line,” he says. “We’ll continue to improve on that footprint as we look ahead.”

The facility’s location and proximity to major metro areas is a part of Perna’s optimization plan.

“The short-term goal is continuing to grow revenues by putting the right people in the right seats, and having the most talented team,” he says.

Perna says an LBM dealers’ success is going to be predicated on how well they can implement operations systems in centrally located materials distribution and delivery. “Dealers need to be well-positioned in their market geographically—and that doesn’t mean just purchasing more locations. If there are \$50,000 worth of windows on a truck, we’ll drive it two hours. That’s just good business for us.”

For independent LBM dealers especially, distribution efficiencies should be top of mind and also at the top of the expense list.

“Consolidation is rampant. If you want to maintain independence, you need to grow from within. You grow or you go, and our future is to be a quasi-distributor. We have services on site, fabrication, a service team for windows and doors, a remote and on-site strong sales team. That’s the future for LBM dealers.” ■

PHOTOS: GIA SCOZZARI PHOTOGRAPHY

BUYING GROUPS AND CO-OPS

THROUGH PARTICIPATION IN BUYING GROUPS AND CO-OPS, EVEN SMALL LBM DEALERS CAN REMAIN COMPETITIVE AGAINST LARGER DEALERS.

BY MIKE BERGER

Cooperation is not a new concept. The earliest cooperatives (or co-ops) appeared in Europe in the late 18th and early 19th centuries during the Industrial Revolution. As people moved from farms into cities, they lost the ability to grow their own food to feed their families. And as the wealthy gained more control over pricing, everyday people like workers, farmers, and producers banded together in co-ops as a way to protect their interests and get the best prices.

Here in the United States, buying groups and co-ops are as old as the country itself. In 1752, Benjamin Franklin, along with volunteer fire departments from Philadelphia, formed the Philadelphia Contributionship for Insurance of Homes from Loss of Fire, a mutual insurance company through which policyholders could share their risks. And in the case of group purchasing organizations, their roots can be traced to the early 1900s when hospital superintendents in New York wanted to collaborate on laundry services.

But how, exactly, does this concept of cooperation benefit the LBM dealer in a modern environment driven by competition? As it turns out, more than you might think.

STRENGTH IN NUMBERS

In case you're not familiar with them, let's take a quick look at buying groups and co-ops. Both are membership based, both leverage group power for buying purposes, and both aim to deliver better pricing and terms on goods and services. The difference comes in the organizations' ownership structure.

For a co-op, it's the members who own the organization, and as such, they share fully in the organization's profits which they can then use to reinvest in

their individual business growth. "At Do it Best, our team understands that when our member-owners succeed we all succeed," says Gary Nackers, vice president of LBM for Do it Best Corp. "We act as an extension of their staff and are always looking out for what's best for them. Further, our board of directors is made up solely of Do it Best member-owners."

One of the main goals for both buying groups and co-ops is to utilize the collective buying power of its membership in order to secure the best price on LBM products. "The co-op is in business solely for the benefit of the members and they will always have an important voice within the organization," explains John Somerville, president and CEO of Lumbermens Merchandising Corporation (LMC). "Because of this, there's also tremendous transparency regarding discounts, rebates, and overall financials so members know what is happening with their investment."

This type of member-based organization is of particular benefit for LBM dealers. “As a member of a cooperative, a lumber dealer is an owner and takes advantage of 100% of the rebates and profit earned by the cooperative,” points out Stephen Sallah, president and CEO of LBM Advantage. “The ownership structure increases the leverage of the cooperative with suppliers and therefore is able to pass on improved pricing and programs to the membership.”

But it’s not just about better pricing and profits. Buying groups and co-ops can provide tax advantages. As Sallah explains, being fully owned by the membership, the cooperative acts per IRS code as an agent of its members and therefore a single tax entity. “Any rebates and profits distributed to the membership are only taxed once through the dealer tax structure, improving the overall benefit of cooperative membership,” he says.

As well, buying groups and co-ops provide networking opportunities for its members. “LMC understands the

importance of building relationships within our network and encourages interaction between dealers and suppliers,” says Somerville. “In a typical non-COVID-19 setting, we emphasize networking and dealer-to-dealer, or dealer-to-supplier, interaction at our large events to help build and strengthen these relationships. This is why we consistently mention the LMC network. We are proud of the relationships we’ve built and the professionals we’ve connected throughout the industry.”

BRINGING SERVICE AND EXPERIENCE

Beyond looking for organizations that have strong relationships with mills and vendors that allow them to buy competitively while providing strong returns to its members, industry leaders agree that there are a few key areas dealers should look to when choosing a co-op or buying group. Not all organizations are alike, and dealers should look for ones that can bring integrity and experience to the table while providing service across a strong member base.

“Our members look for service—access to our trading staff’s knowledge and time—first and foremost,” says Sallah. “They want the attention of a trader who is going to source the products they need, get a competitive price and have it delivered on time.”

When it comes to delivering on that service, industry leaders agree that experience, integrity and reputation make the difference. “Co-ops and buying groups may have collective purchasing power, but an experienced and seasoned team will know how to best maximize this buying power,” points out LMC’s Somerville. He goes on to explain, “Integrity and reputation within the industry are always important. The integrity gives you confidence that all dealers will be treated as a bigger collective no matter how big or small you are. Reputation will help when utilizing its buying power for pricing and securing product.” ➤



ONE OF THE MAIN GOALS FOR BOTH BUYING GROUPS AND CO-OPS IS TO UTILIZE THE COLLECTIVE BUYING POWER OF ITS MEMBERSHIP IN ORDER TO SECURE THE BEST PRICE ON LBM PRODUCTS.

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LBM Advantage's Sallah agrees, and adds, "Dealers should also look for a co-op that is transparent. Are they showing you all of the accounting and keeping you informed about how the rebate programs work so the dealer can make the best decisions for their business? This is crucial for the health of the dealer's bottom line and it is not a universal philosophy among cooperatives."

REACTING TO TRENDS

Buying groups and co-ops keep close eyes on product trends; they may not be driving the trends themselves, but they want to be able to quickly supply their members with products that are in high demand. "Trends are typically driven by the manufacturers," explains LMC's Somerville. "They spend a lot of money in research and development and are constantly looking for a competitive edge, so they know when to adapt to the market before the consumers even do. The LMC team works hand-in-hand with suppliers including extensive training on new products, and helping our team get the right products to the right applications."

It should come as no surprise, therefore, that buying groups and co-ops are paying particular attention to products that decrease labor and increase efficiency. "We're seeing more PVC and composite type materials increase in popularity as these materials become more aesthetically pleasing and closer to traditional wood products," says Somerville. "This, combined with the low cost and low maintenance upon installation, has made it increasingly popular over the last few years."

"Manufacturers have continued to make products easier to install, increasing their success with the trade," adds LBM Advantage's Sallah. "There is also a continued trend to branding on products that have traditionally acted as commodities. It has the potential to differentiate the independent dealer's product line from the commodity channels and improve their share and profitability."

One trend that may come as a surprise for the LBM dealer is the DIY category.

According to a recent Bank of America poll about homeowners' shopping habits during the pandemic, more than 70% of those polled indicated they had

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decided to tackle home improvement projects, with more planned for 2021. As well, a series of consumer surveys by The Farnsworth Group and the Home Improvement Research Institute reveal that almost 80% of homeowners reported that they recently started a DIY home maintenance, replacement, repair, or remodeling project. Therefore, products that are either easy to use or provide a budget-friendly, cost-effective solution for homeowners who choose to do it themselves are in high demand. For example, explains, Somerville, "Southern yellow pine lumber is growing in production and reach as it is becoming increasingly more popular in non-traditional markets. It is abundantly available and cost effective, which has helped in its expansion in the North American lumber basket."

PLUGGING INTO POWER

Besides building buying-power critical mass, buying groups and co-ops bring a lot of benefits to the table for their LBM dealer members. "There are obvious benefits to being a part of these groups that other dealers are dying to be a part of," says LMC's Somerville. "With LMC, that goes beyond buying power. It includes professional development, continuing education, and networking, among other services provided." Ultimately, however, it's up to the individual dealers to take full advantage of those benefits and services, and industry leaders have a few recommendations in that regard.

One way LBM dealers can ensure success is to get involved—not just for their sake but for the benefit of all of the co-op members. "Independent dealers join cooperatives because they want the benefit of the leverage of the membership, but also to be part of a larger organization for the buying power, as well as knowledge of market, legislative participation, pool groups, trade shows and education opportunities," explains LBM Advantage's Sallah. "We ask our members to participate in our purchasing programs as well as attending our pool groups and trade shows. When we have a competitive product, we ask for an opportunity



GARY NACKERS
VICE PRESIDENT OF LBM
DO IT BEST CORP.



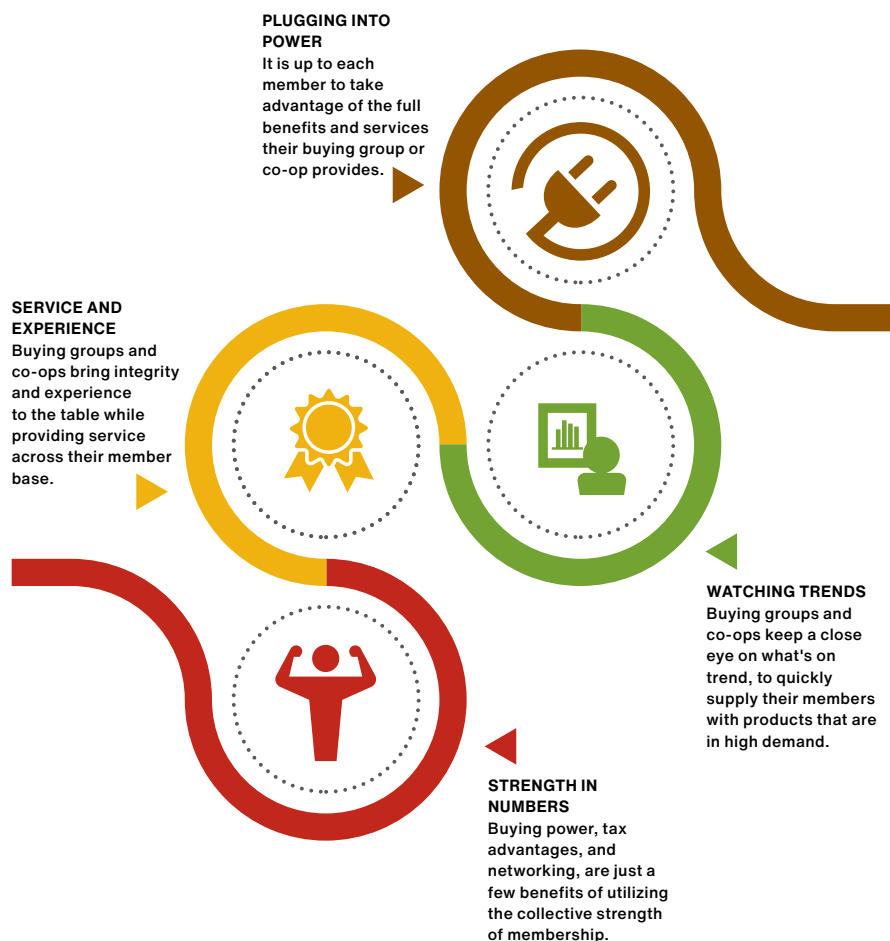
STEPHEN SALLAH
PRESIDENT AND CEO
LBM ADVANTAGE



JOHN SOMERVILLE
PRESIDENT AND CEO
LMC

to demonstrate an alternative. The majority of our members recognize the benefits of participation. To the extent that more members participate, it strengthens a co-op's position in the market and value to its members."

Do it Best Corp.'s Gary Nackers agrees with Sallah on the importance of getting involved. "The greatest area for opportunity is to further leverage the team and resources available to member-owners," he says. "Dealers can also leverage the purchasing power of Do it Best by participating in committed purchase programs. They can also take advantage of education and services like showroom and yard design and customized pro planograms." ➤



ADAPTING TO A POST-PANDEMIC WORLD

While the world was already making the shift towards more of an online shopping experience, the COVID-19 pandemic accelerated that move and radically ramped up both ecommerce and dealer operations.

In the case of ecommerce, customers are looking for more opportunities to research and pre-shop products virtually before entering a brick-and-mortar location, and co-ops are stepping up to provide solutions for their members. "Customers are looking for opportunities to shop home centers and lumberyards before they actually go into the store," says Nackers. "They are also looking for the convenience and safety of streamlined ordering and curbside pickup. This will be a growing trend driven by builders and contractors looking to efficiently research products and order online and pick up at the yard. Do it Best has a leading platform that provides their member-owners with the ability to showcase their local brand and their products with same day in-store pickup."

When it comes to dealer operations, buying groups and co-ops are adapting by providing virtual resources for their members to aid in selling, collaborating, and training. For example, LBM Advantage is developing new webinars with expert speakers on topics such as e-commerce, customer service, and front-of-house issues, and it is scheduling small group video chats that will allow members to collaborate and share ideas virtually.

LBM Advantage also launched a member-exclusive "NextGen" program of education and networking for the future leaders of the LBM industry that includes conferences where leaders of industry and trainers meet with participants in a group setting. As well, it's introduced a 5-day virtual workshop for experienced members to pass on their knowledge to its NextGen participants as well as any dealers who wanted to

join. "We broke participation records," said Sallah, "and have been asked to repeat the program in 2021."

In the case of LMC, it transitioned three annual events to virtual experiences last year, and rather than see attendance drop, its LMC Hardware Express and LMC Expo events both set record attendance levels with purchases to match, and in March it will be hosting the first virtual LMC Annual Meeting. "LMC has done a tremendous job adapting to the world around us over the last year," says LMC's Somerville. "We've been able to communicate and interact with each other in a virtual setting while building our relationships in the industry. This speaks in large part to the strength of our existing relationships before the pandemic and the individuals behind the LMC network."

For Do it Best Corp., it has expanded the functionality of its e-commerce platform to now include same-day in-store pickup, member-sourced inventory, enhanced curbside pickup, and a Pick-N-Pack app to help store associates manage their online order notification, retrieval, and fulfillment, while its "Best Together" initiative in LBM allows the co-op to leverage member-committed purchases for better buying opportunities.

POISED FOR GROWTH

There has been significant consolidation in the past years—mergers of small lumber yards and consolidation of buying groups and cooperatives. As an example one need look no further than LBM Advantage which came into being in 2015 when it was formed by the merger of ENAP, Inc. and PAL buying cooperatives and now has merged with the International Builders Supply Association (IBSA).

"LBM Advantage is the product of the merger of three respected cooperatives with successful histories in their markets," explains LBM Advantage's Sallah. "Our philosophy of 'National

Buying Power with Regional Expertise' has allowed us to take advantage of a national dealer footprint while maintaining skills in all the markets where we operate."

With the rapid pace of consolidation, it's only natural to wonder what the future looks like. "We believe there is tremendous opportunity for the properly positioned growth-minded independent LBM dealer," says Do it Best Corp.'s Gary Nackers. He sees aligning with a member-owned co-op as a key part of any dealer's success. "For Do it Best member-owners, they are going to be most successful when they rely on our professional team of experienced buyers bringing value to large and small LBM dealers," he explains. "That approach allows them to invest in staff who are customer-facing while our team brings the training, experience, and efficiency to hardlines and LBM product acquisition."

LMC's Somerville shares Nackers' viewpoints on the future health and importance of co-ops. "Consolidation has always been, and will continue to be, a part of the industry, so the recent consolidation isn't anything new," he points out, "but the value of the co-op is even more important today and is essential in helping level the playing field against big boxes and national chains. As consolidation occurs and the large organizations continue to grow, it will be more important than ever for independent dealers to utilize the benefits of a co-op or buying group to remain competitive."

And for LBM Advantage, Sallah sees a future that holds promise for buying groups and co-ops as well as for LBM dealer members. "Individually, our dealers continue to see top-line growth for their business despite consolidation," he says, "and while ownership changes and consolidation have accelerated, the market for the independent lumber dealer serving the home building, renovation and the overall pro-market remains strong." ■

Michael Berger is the former managing editor for HANDY Magazine and has been writing about home improvement and construction for the past 20 years.



Your business needs a partner who is flexible, experienced and transparent

LBM Advantage is one of the largest member-owned buying cooperatives in the country. Our legacy dates back to 1937 when a group of Midwest dealers pooled their shingle purchases to get the best price. Today we serve independent dealers across the United States with competitive purchasing programs and regional buying expertise.

What sets us apart is our focus on your success, operating on three fundamentals: **flexibility, experience, and transparency**. LBM Advantage's mission is to create a competitive advantage for its members by leveraging their collective power.

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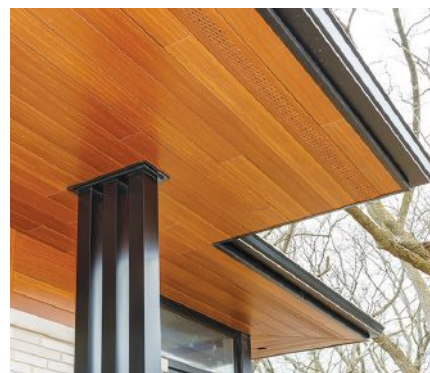
SHADOW

Trex pergolas

The new all-aluminum Trex Pergola Shadow and Trex Pergola Pavilion are designed to provide the perfect amount of sun, shade, and rain protection in any open-air environment. The new Trex Pergola Shadow features distinctive architectural shade panels in a variety of patterns from geometric and romantic to art deco, offering varying degrees of openness. Featuring a modular roof system with an integrated gutter, Trex Pergola Pavilion has sloped, aluminum panels engineered to create a lightweight, watertight ceiling. Available in a variety of colors, including metallics and mineral-inspired micas, Trex Pergola Shadow and Trex Pergola Pavilion feature a premium powder coat finish. Both collections are offered in 16 standard sizes or can be custom fabricated to fit virtually any space. Like all Trex Pergola models, these collections are covered by a 25-year limited residential warranty or a 10-year limited commercial warranty. trexpergola.com

Cedar Renditions aluminum siding 6" soffit from Royal

New for 2021, Royal has added a 6" soffit to its Cedar Renditions line. The new soffit is perforated for ventilation and designed to keep moisture out of the home. Available in premium, multi-tonal woodgrain as well as traditional woodgrain colors, Cedar Renditions 6" soffit was designed to be used in harmony with the existing 6" Cedar Renditions siding profile. Launched in 2019, Cedar Renditions was developed as a sleek and modern aluminum accent siding, designed to provide curb appeal without the maintenance or flammability issues of wood. Cedar Renditions is 100% recyclable and combines durable, thicker gauge aluminum with modern design aesthetics. royalbuildingproducts.com



Huber's AdvanTech X-Factor

AdvanTech X-Factor is a high-performance engineered panel designed to replace plywood and OSB floor sheathing. Fabricated using advanced resin technology, X-Factor flooring was developed to deliver higher strength, greater stability and enhanced moisture resistance. According to Huber, X-Factor flooring far exceeds the code minimums representing other subfloor products and retains its qualities under environmental exposure during construction. X-Factor flooring is nailed or screwed to floor framing members. Long edges feature tongue and groove joints, and the bottom of the panel is fully sanded. X-Factor flooring panels are available in nominal 4' x 8' sheets. huberwood.com



Updated Therma-Tru door glass

Therma-Tru has introduced a variety of new and updated glass options: Reeded privacy and textured glass; black nickel coming for Texas Star decorative glass; direct set sidelites; and black grills between glass for Smooth-Star doors. Designed with clean, refined lines, Reeded glass is said to bring a modern look to the home, featuring a vertical, linear texture. Texas Star decorative glass is now available with black nickel coming. Direct set sidelites feature a full pane of glass build directly into the door system frame designed to create an airy, open feeling in the home. Black grilles between glass are made to coordinate with black window grid patterns. thermatru.com





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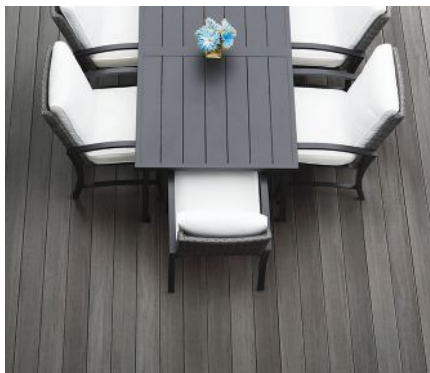
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SD Connector SS screws from Simpson Strong-Tie

Simpson Strong-Tie's new Strong-Drive SD Connector SS screw is made from Type 316 stainless steel and is ideal for both interior and exterior environments. SD SS screws have a 1/4" hex-washer head with a large-diameter integrated washer to provide load bearing area and are stamped with the Simpson Strong-Tie logo and fastener size for identification after installation. SD SS screws have been designed, tested, and approved for use with Simpson Strong-Tie stainless-steel connectors to provide maximum performance values. The SD SS screws are designed to install with a cordless drill in spaces or conditions where using a hammer to install nails may be inconvenient. strongtie.com/SDSS



The Landmark Collection from TimberTech

The Landmark Collection is the latest extension of the premium TimberTech AZEK capped polymer decking line. Inspired by the look of rustic, reclaimed wood, TimberTech says the Landmark Collection features a natural woodgrain surface texture, complemented by unique crosscuts. Available in two new colors, Castle Gate, and American Walnut, the collection marks the first time TimberTech has applied its proprietary color-cascading technology to capped polymer boards. The Landmark Collection is made from 100% synthetic material developed for low-maintenance decking that is said to stay cooler and offer resistance to moisture, fading, scratching, and staining. All TimberTech AZEK products are backed by a limited lifetime warranty and a 50-year limited fade and stain warranty. timbertech.com



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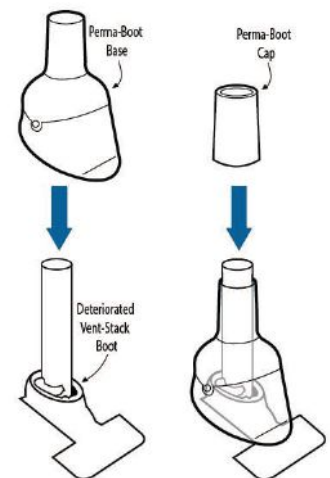
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Fiberon and CAMO EDGE, EDGEX, and STARTER Clips

CAMO and Fiberon have partnered to offer Fiberon EDGE, EDGEX, and STARTER Clips to Fiberon's entire dealer network. Together, Fiberon and CAMO offer comprehensive fastening solutions for Fiberon grooved deck boards. Fiberon EDGE, EDGEX, and STARTER Clips are all warranted for use with Fiberon grooved-edge deck boards. Both EDGE and EDGEX Clips are said to eliminate the need for partial installation. EDGE Clips (90° deck patterns) hug the joist, while EDGEX Clips (any deck pattern) fit in the board groove, allowing contractors to set multiple rows of boards and clips in place before fastening with the NEVER-MISS Guide included in every pail. STARTER Clips offer a fastener-free deck surface. fiberondecking.com



Benjamin Obdyke HydroGap SA

HydroGap SA features a 100% continuous acrylic adhesive, providing sealing around cladding fasteners to help maintain the integrity of the air barrier. The product is introduced as one of the few breathable, fully adhered acrylic adhesives, with a perm rating of 12 that is suitable for all climates. As an acrylic, the adhesive is said to be UV resistant, with an exposure rating of 120 days, and can be installed in temperatures as low as 25° F without a primer. Like original HydroGap, the new self-adhered WRB features 1mm spacers on the surface to create a true drainage space with 96% drain efficiency. HydroGap SA features a robust split-release liner for ease of application and positioning. The product comes in 80' long rolls and includes a 15-year product warranty or a 20-year limited system warranty when used in conjunction with the HydroFlash product line. benjaminobdyke.com


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www.capital-lumber.com

Adjustable over the post hardware from RailFX

The new adjustable over the post fitting from RailFX is a flexible bracket designed to allow additional flexibility in the installation process. Deck builders can place the adjustable hardware on top of the intermediate, corner, or support post to hold a long, continuous top rail. According to the manufacturer, installing this fitting on stair posts will support the variation in stair pitches. Designed for easy installation, the fitting will screw directly into the aluminum post and the flat part of the bracket will screw into the bottom of the top rail. railfx.net





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Pro Visualizer from ProVia

ProVia's Pro Visualizer Virtual Measurement and Design Studio is a new, 3D home exterior measurement, design, and reporting tool that equips ProVia dealers with in-home and remote selling capabilities. The Pro Visualizer is designed so that dealers can shorten turnaround times and obtain complete measurements for exterior walls, openings, and roofing without setting foot on a homeowner's property. The Pro Visualizer features an intuitive design that eliminates the need to take photos or input measurements. To get started, the dealer simply enters the property address. When ordering full-property measurements, the dealer receives interactive 3D models and realistic visualizations of the property they can integrate with ProVia's professional-class exterior building products. provia.com



Georgia-Pacific DensDeck StormX Prime Roof Board

Georgia-Pacific's DensDeck StormX Prime Roof Board is said to be the first high-performance gypsum roof coverboard designed to help prepare commercial rooftops to hold up to the impact and puncture caused by severe hail conditions. The product is classified for use in approved assemblies meeting FM Global's Very Severe Hail Standard set in 2019. DensDeck StormX Prime Roof Board joins DensDeck Prime with EONIC Technology, which according to the GP, is the only gypsum roof board with manufacturing specifications that include 5% total water resistance by weight and one gram surface water absorption performance on both sides of the board. buildgpc.com



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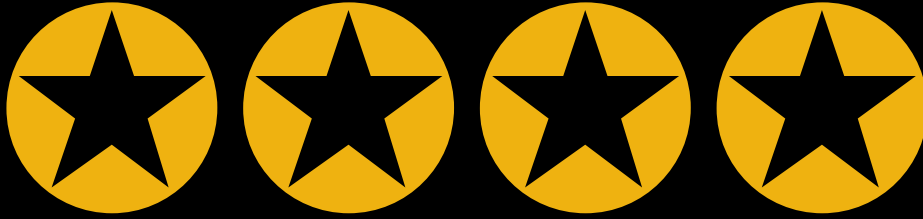



SCHWEISSDOORS.COM

Monster Doors from Simpson Door Company

Simpson Door Company has introduced Monster Doors, oversized doors that can be customized to span up to 12' tall and up to 10' wide. The doors are designed to address the need for larger and more personalized spaces in the home. Offered in any wood species and design, Monster Doors can be mounted on popular alternative hardware, such as barn track or contemporary pivot swing. Monster Doors are available for both interior and exterior door applications. simpsondoor.com





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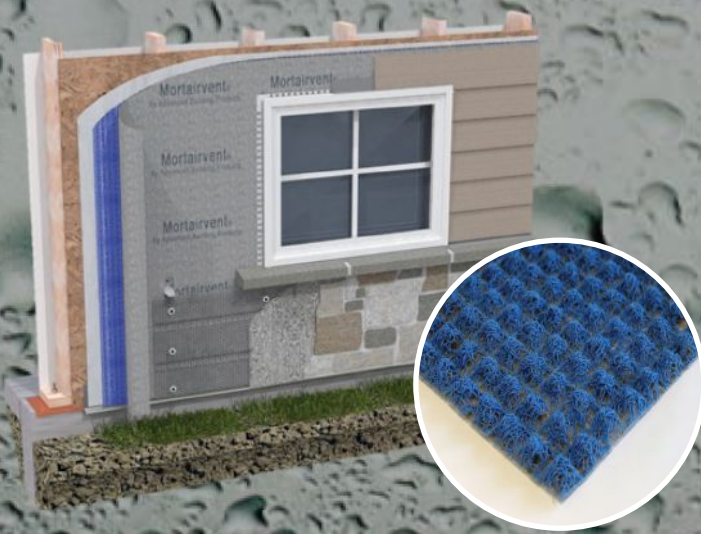
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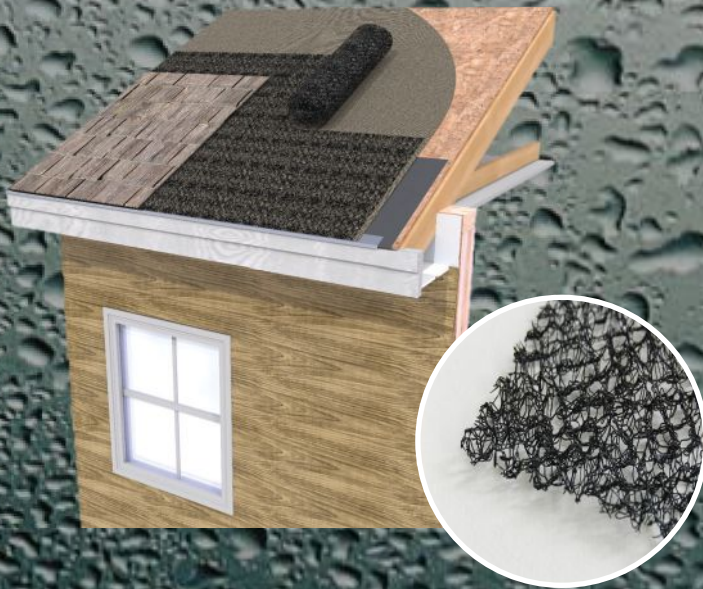
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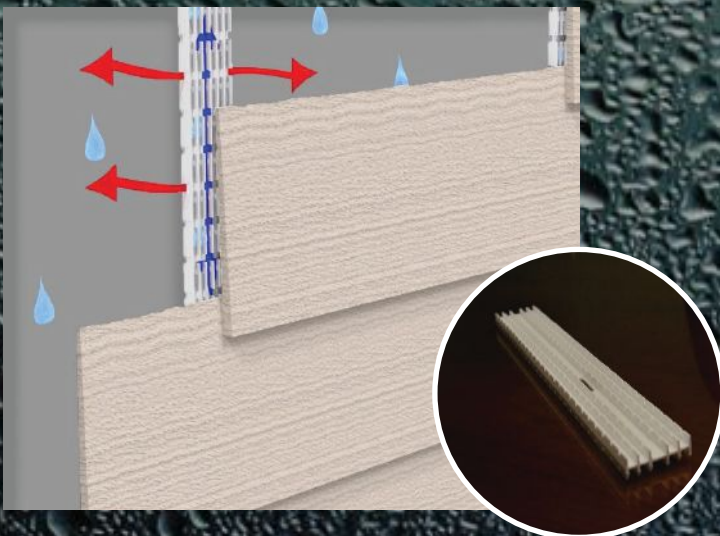
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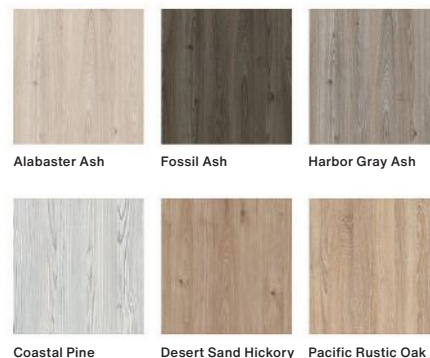
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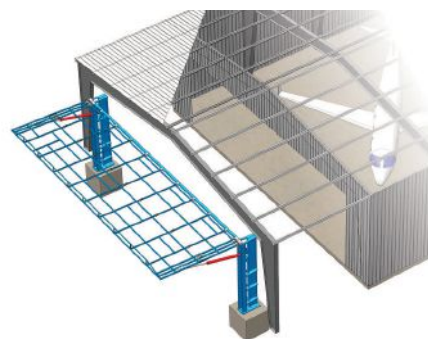
Roseburg's expanded Duramine Collection

Roseburg has expanded its Duramine Collection with new technology developed to deliver improved matte and gloss finishes. Six new designs included in Roseburg's decolay REAL color palette (Alabaster Ash, Fossil Ash, Harbor Gray Ash, Coastal Pine, Desert Sand Hickory, and Pacific Rustic Oak), offer a contemporary selection of fresh wood tones to complement a wide variety of interior applications and styles, the company says. The new designs are said to add to the flexibility of two-sided or one-sided design options, allowing clients to choose panels that work well for any application, including cabinetry, furniture, closets, casework, and organization systems. The decolay REAL color palette is also designed to pair well with many solid and woodgrain colors in the Duramine quick ship program. roseburg.com



Superstructure Triple-Leg Stand-Alone Door from Schweiss Doors

The new Superstructure Triple-Leg Stand-Alone Door design from Schweiss Doors features a tripod leg designed to transfer the door weight to the footings that support the hydraulic door, eliminating the need for additional side columns from the building manufacturer. The free-standing door has its own superstructure framework attached and can be added to a new or existing building. The doorframe mounts on the new Triple-Leg Stand-Alone, self-supported doorframe, eliminating the need for the building manufacturer to incorporate a building truss or building header to support the hydraulic door. The new door comes pre-assembled, pre-welded, and pre-hung from the factory within a pre-squared frame. bifold.com





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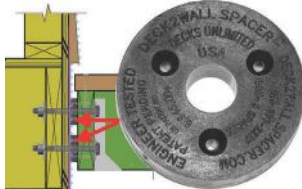


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MADE IN U.S.A.

NLBMDA looking to build on Paycheck Protection Program advocacy success

BY KEVIN MCKENNEY

AS THE COVID-19 pandemic caused social and economic effects through most of 2020, NLBMDA focused heavily on protecting dealers across the U.S. After successes with advocating for the inclusion of dealers as critical essential infrastructure, more was needed. The Paycheck Protection Program (PPP) was shaping up to be an attractive option and NLBMDA went to work.

The PPP, which was created by Congress last March and provides forgivable loans to small businesses, was a way to assist businesses with paying their employees as the economic effects of COVID-19 continued to impact communities across the U.S. NLBMDA interacted regularly with both the Senate and House of Representatives to include billions in funding to provide dealers with the option to utilize the loan. Congress ultimately authorized \$349 billion for the first round. This was an important victory, but the Small Business Administration (SBA) needed to address a variety of ambiguities which took time. This caused some additional confusion and NLBMDA worked closely with SBA to release guidance as quickly as possible.

Throughout 2020, NLBMDA maintained that close relationship with SBA to field dealer questions about PPP and to continue to update guidance to provide clarity for members. While the program was working well for many, it was clear that more needed to be done. In particular, NLBMDA identified three main areas that demanded attention from policymakers.

First, more guidance was needed for dealers as they began to look at longer-term considerations such as taxes. In particular, Congress had not been specific about the deductibility of loan expenses and NLBMDA called for the Department of the Treasury to clarify that dealers can, in fact, deduct these expenses. Second was the issue of 501(c)(6) organizations and eligibility for a PPP loan. While dealer

members were eligible from the beginning, NLBMDA wanted to assist our federated association partners with qualifying if interested. The third was the need to reauthorize funding and an open period for applications. The first round of PPP had expired and more money and time were needed as COVID-19 continued.

Ultimately, NLBMDA was successful in all three of these critical issues with PPP, thanks in large part to the hard work of our members who contacted their elected officials to weigh in. PPP loan expenses are now fully deductible, 501(c)(6) organizations are eligible for PPP provided they meet certain criteria and late in the year, Congress reauthorized additional loan funding.

Many are curious about what could be coming in 2021, particularly with a new Administration and with the Democratic Party in a stronger position in the Senate. Our read is that Congress will pass additional COVID-19 relief legislation, particularly in early 2021. The Democrats have signaled support for more small business relief, including PPP, and a variety of measures for individuals among other things.

NLBMDA has already been in contact with Capitol Hill on advocating for a variety of dealer priorities, including a scaled-back unemployment benefit, employer liability protections, expanded access and funding for PPP, and others. As NLBMDA continues key advocacy goals, members can take advantage of the COVID-19 Resource Center, located on the NLBMDA website. This contains a variety of resources for members on PPP, COVID-19-related tax credits, state lockdown orders, and others.

As 2021 continues, other possible priorities for Congress could range from energy legislation to a comprehensive infrastructure package. NLBMDA will be leading the fight for America's dealers in DC as the year rolls on. ■



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

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**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA**

Richmond Division

**IN RE: INTERIOR MOLDED DOORS
ANTITRUST LITIGATION**

Lead Civil Action No. 3:18-cv-00718-JAG

SUMMARY NOTICE OF CLASS ACTION SETTLEMENT

ATTENTION PURCHASERS OF INTERIOR MOLDED DOORS

If you purchased interior molded door slabs or pre-hung interior molded doors in the United States directly from JELD-WEN, Inc. or Masonite Corporation between October 19, 2014 and December 31, 2018, your legal rights may be affected, and you may be entitled to a cash payment from a proposed class action settlement.

What is the Settlement about?

Plaintiffs allege that JELD-WEN, Inc. and Masonite Corporation (collectively “Defendants”) conspired to fix prices of interior molded doors, or “IMDs,” in the United States, in violation of the United States antitrust laws. IMDs are a type of interior door made by sandwiching a wood frame and a hollow or solid core between two doorskins. For purposes of this Settlement, IMDs include slabs, which may be sold as a single slab or as “bifolds,” as well as prehung doors, which consist of an IMD slab affixed to a door frame. A Settlement has been reached with Defendants, which have agreed to pay \$61,600,000 (\$30,800,000 each) into a Settlement Fund. Defendants deny they are liable for any of the claims asserted against them but have agreed to settle to avoid the cost and risk of a trial.

A Notice of Class Action Settlement (“Notice”) was mailed and/or emailed to direct purchasers of interior molded doors on or about February 18, 2021. The Notice describes in more detail the options available to Settlement Class Members (described below), including regarding the proposed plan for distributing the settlement funds, and any request for attorneys’ fees, expenses, or service awards to the Named Plaintiffs. If you did not receive the Notice, you may obtain a copy by visiting the Settlement Website, www.directpurchaserimdlitigation.com, or by calling the Claims Administrator toll-free at 1-800-222-2760.

Who is a Settlement Class Member?

The proposed settlement class (the “Settlement Class”) consists of all persons or entities that purchased IMDs in the United States directly from either or both Defendants at any time from October 19, 2014 to December 31, 2018. The only exceptions are if you are affiliated with either of the Defendants, a federal government entity, or an immediate relative of the Honorable John A. Gibney, Jr., the judge presiding over this litigation, or a member of his staff.

Will I get a payment?

If you are a Settlement Class Member and do not opt out of the Settlement Class, you will be eligible to submit a Claim Form, and if you timely submit a valid Claim Form, you will be eligible for payment. If the Court approves the Settlement, Plaintiffs’ Co-Lead Counsel intend to ask the Court to distribute the settlement funds, after reduction for any court-approved attorneys’ fees, expense reimbursements, or service awards, to claimants on a *pro rata* basis, i.e., based on the dollar amounts of claimants’ IMD purchases from Defendants. **Claim Forms will be distributed by mail or email to Settlement Class Members, but will also be available on the Settlement Website, www.directpurchaserimdlitigation.com, or by calling the Claims Administrator toll-free at 1-800-222-2760. If the Court approves the Settlement, it will set a date by which Claim Forms must be completed and submitted electronically or postmarked.**

Ignore Other Companies Offering to Assist You

You may be contacted by one or more companies offering to assist you with your potential claims in this matter for a percentage of your settlement award, but the Claims Administrator and Co-Lead Counsel will be able to provide you with that assistance, including sending you a pre-populated claim form identifying your qualifying purchases, for no charge. For that reason, we strongly recommend you do not accept the services of any of those companies.

What are my rights?

If you are a member of the Settlement Class and do not opt out, you will release certain legal rights and claims against Defendants and their various affiliates and representatives as detailed in the Notice and in the Settlement Agreement, both of which are available on the Settlement Website. If you do not want to take part in the Settlement, you have the right to exclude yourself, or “opt out.” To opt out of the Settlement, you must do so by Monday, April 19, 2021. Settlement Class Members that do not opt out of the Settlement also have the right to object to the Settlement, a request by the Named Plaintiffs for service awards related to their representation of the Settlement Class, and/or any request for attorneys’ fees and expenses by counsel for the Settlement Class. If you want to object, you must do so by Monday, April 19, 2021. Information on how to opt out or file objections is contained in the Notice of Class Action Settlement and on the Settlement Website. You may also consult with your own attorney at your own expense for help.

What and When is the Fairness Hearing?

Successful class action settlements must be granted final court approval after what are called “Fairness Hearings.” The Fairness Hearing here is scheduled on Tuesday, June 1, 2021 at 9:00 a.m. Depending on the status of the COVID-19 pandemic, the Fairness Hearing will take place either virtually by Zoom.gov Remote Videoconference, or in person at the United States District Court for the Eastern District of Virginia, Courtroom 6000, 701 East Broad Street, Richmond, VA 23219. If possible, the decision whether the Fairness Hearing will take place virtually or in person will be made no later than 30 days prior to the hearing date, and will be posted on the Settlement Website. If the Fairness Hearing will be held virtually, the Settlement Website will post conferencing information.

The date and location for the Fairness Hearing may be changed without further notice to the Settlement Class, although information concerning any such changes shall be posted on the Settlement Website if possible. You may appear at the hearing, but your attendance is not required.

This is a summary; where can I get more information?

You can get additional information concerning the Settlement, including a copy of the Notice, the Settlement Agreement, and court filings such as the reports of the parties’ economist experts, by visiting the Settlement Website, calling the Claims Administrator toll-free at 1-800-222-2760, or writing to the Claims Administrator at:

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THE BATTLE OF KAREN

KAREN WANTS TO SPEAK TO THE MANAGER. SHE WANTS A REFUND ON HER NON-REFUNDABLE CUSTOM ORDER AND SAYS SHE'LL RAISE A PUBLIC RUCKUS UNTIL SHE GETS HER WAY. WHAT WOULD YOU DO?

If anything good came from the pandemic, it was the boost in homeowner traffic in search of materials to take on outdoor projects while quarantining. While your customer base has traditionally been comprised mostly of professional builders and remodelers, your showroom and the depth and breadth of stocked products has earned you strong reviews and word of mouth from many local DIYers. It's true that while serving homeowners and weekend warriors is more labor intensive, the vast majority of them are a pleasure to work with. Most understand that, unlike Amazon or Target, not everything is returnable—especially special orders. Unfortunately, there's always one who you wished had never stopped in your store. In this case, that one is named Karen.

From the moment she encountered Sarah, your customer service lead, Karen made it crystal clear that she'd done her research on the Internet, and she wasn't going to be taken advantage of. "I know how you people are," she said. "You're going to try to sell me expensive materials that won't last, so that I have to redo my project in a couple of years. If you think you can pull those shenanigans with me, then you don't know me!"

With the transaction off to a less-than-stellar start, Sarah asked what kind of project she was working on, and how she could help. Karen explained that she'd decided to replace her home's entry door and, since she'd done her research on the Internet, she knew exactly what she wanted to buy—and how much it should cost. "It's a brand you carry, so I'm sure you have it in stock."

Sarah explained that the model Karen wanted was a special-order item, so it was important to get all the details right—since special orders aren't returnable. Karen made it clear that she wasn't happy about having to wait for her new door, but said she had all the measurements (she'd done it herself, she said, to make sure it was done right). She specified she needed a right-hand door swing. Sarah emphasized the importance of that detail and began explaining the difference...but Karen shut her down. "I know what I need, and I don't need you questioning me." Sarah said again that special orders aren't returnable, had Karen sign the agreement and prepay for the door, and bid her a good day.

Eight weeks later, and one day after her door was delivered, Karen stormed into your showroom and shouted, "I want to talk to the manager!" As the owner, you invited her into your office to discuss the situation, but she held her ground, so everyone in your store would hear what she had to say. "My new door that I ordered from YOUR STORE isn't right. The handle is on the wrong side, and I know that I ordered



it correctly." You reviewed the paperwork with her, including her signature showing that the order was correct, and that special orders aren't returnable. "It's your fault that I got the wrong door—how was I supposed to know what door swing means?! You're going to make this right, or I'm going to make so much noise about your horrible service on Yelp, and Google, and everywhere I can, that you'll regret selling me the wrong door!"

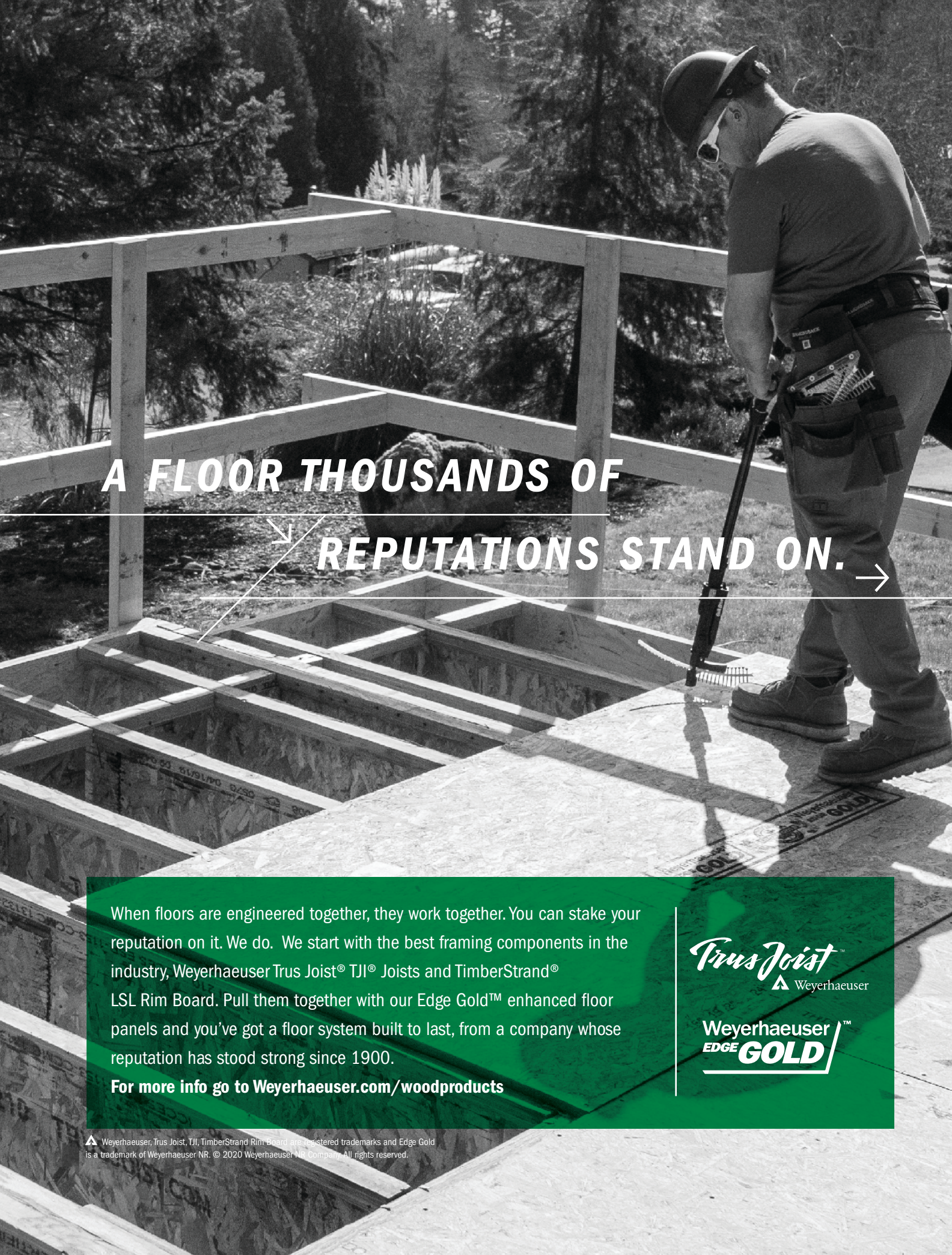
Clearly, Karen is wrong. But being Karen, she's going to make sure your company pays for her mistake—either in reputation with bad reviews or by covering the cost of ordering the right door. What would you do?

► CAST YOUR VOTE ONLINE AT: LBMJOURNAL.COM

- **GIVE IN.** You're in a no-win situation. Order Karen the correct door, then hope and pray she never darkens your door again.
- **DON'T CAVE.** She knew special orders aren't returnable, and her signature shows that she agreed to your terms.
- **FIGHT FIRE.** If she wants to go to war, then so be it. Talk to a lawyer about your options if she slanders your company in public, then let her know you're prepared to fight back.
- **WIN HER OVER.** Go to her house with her, measure the door yourself, explain door swing, place the order for the correct door, and turn her into a customer for life.

SOMETHING ELSE?

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



**A FLOOR THOUSANDS OF
REPUTATIONS STAND ON.**

When floors are engineered together, they work together. You can stake your reputation on it. We do. We start with the best framing components in the industry, Weyerhaeuser Trus Joist® TJI® Joists and TimberStrand® LSL Rim Board. Pull them together with our Edge Gold™ enhanced floor panels and you've got a floor system built to last, from a company whose reputation has stood strong since 1900.

For more info go to Weyerhaeuser.com/woodproducts

Trus Joist
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