

LBM JOURNAL[®]

STRATEGIES FOR LUMBER/BUILDING MATERIAL DISTRIBUTION PROS

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JULY 2021 \$10 U.S.



CONNECTED COMMUNITIES

GOLD BEACH LUMBER BUILDS ON RELATIONSHIPS

IN DEPTH: SIDING

IN A BOOMING HOME IMPROVEMENT WORLD, SIDING IS POISED FOR GROWTH

REAL ISSUES. REAL ANSWERS.
SALES QUOTAS AND COMMISSIONS

RYAN RINGER, PRESIDENT AND REED RINGER, PAST PRESIDENT
OF GOLD BEACH LUMBER

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*CedarMAX® siding sample above in Nightfall;
HeartTech® siding on house in Sea Slate*

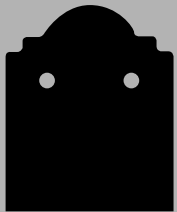


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SIDING | STONE | ROOFING

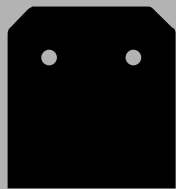
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Outdoor Accents

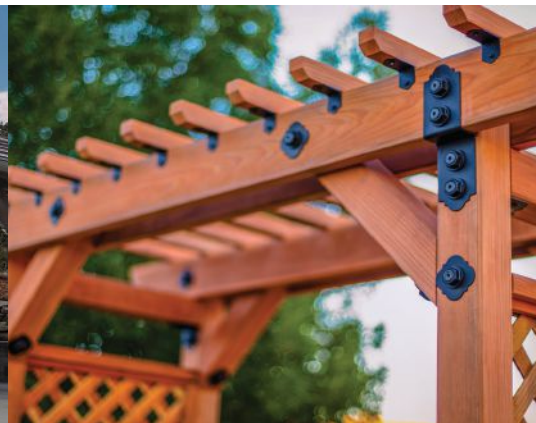


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#BuiltToTheZIPCode



ZIPsystem™
BUILDING ENCLOSURES

ZIP SYSTEM® SHEATHING AND TAPE HELPS ACHIEVE TIGHTER ENVELOPE WITH AN INTEGRATED APPROACH



Will King, a custom homebuilder and owner of Alabama-based High Cotton Homes, is devoted to bringing clients' dreams to reality, even focusing his work on customizing projects to accommodate special requests such as pool houses and high-end barns. He relentlessly pursues new information about building science and materials for better building. Through his research, he began following manufacturers and builders with a similar pursuit for better building and acknowledges how they have shaped his business and approach to building.

For example, he explained his switch from traditional sheathing and housewrap to Huber Engineered Woods' ZIP System sheathing and tape for easier and more effective enclosure protection.

“Getting proper air sealing is difficult with traditional methods,. All other variables the same, our blower door tests got much, much better using ZIP System sheathing and tape as our air and water barrier.”

Will King,
Owner, High Cotton Homes

“Getting proper air sealing is difficult with traditional methods,” Will said. “All other variables the same, our blower door tests got much, much better using ZIP System sheathing and tape as our air and water barrier.”

ZIP System® sheathing panels are made of high-performance engineered wood panels. The unique design incorporates a resin-impregnated membrane manufactured into the panel for dependable water-resistive-barrier performance. The proprietary ZIP System™ tape is an acrylic tape that has been extensively tested for long-term adhesion, flexibility and exposure and is backed by the 180-day Exposure Guarantee and 30-year limited warranty¹, as part of a complete ZIP System sheathing and tape assembly.

Will uses ZIP System sheathing, tape and liquid flash products for an integrated approach to his air and weather barriers in both roof and wall assemblies.

ZIP System® building enclosures are designed to meet a need for greater installation efficiency. Engineered to provide structural durability *and* reliable protection against water intrusion while also creating a continuous air barrier in one, easy-to-install system, our products can be used in numerous combinations to help building teams find the right fit to advance their builds with an integrated roof and wall structural solution.

“The ease of installation has made ZIP System a hit with my subs, who were tired of being ‘hounded’ about repairing flashing and housewrap details.”

Will leverages his switch to a more dependable, integrated enclosure system as a selling point to his homeowners. He advocates that achieving a tight envelope promotes lower heating and cooling bills.

“At first, I was concerned about cost and budget,” Will said about ZIP System® products. “But that concern proved to be groundless. We save labor and it balances out. The air seal I’m looking for requires more time and training without ZIP System products.”

Using evidence such as blower door tests at the rough stage and reports of energy bills from completed work, he helps customers and other builders in his community understand the benefits of a tight seal. While he may be introducing new concepts and unusual “green-looking” ZIP System builds to the neighborhood, Will is confident about moving forward.

“I think, if you’ve been doing the same thing for 20 years, you’re doing it wrong,” Will said. “Evolving our building practices helped us gain the momentum we have now.”

To learn more about ZIP System building enclosures, visit ZIPSystem.com.

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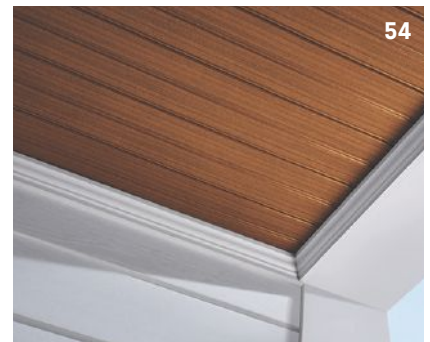
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Lessons in control

DURING A SOCCER TOURNAMENT this weekend, my son had the ball on a breakaway, flanked by two defenders. He took his best shot, but the opposing team's goalie read it perfectly and made the stop. The goalie had the ball safely at his feet, which meant the play was effectively over. That's how the defenders read it, so they peeled off and took up new positions. But since the ball was on the ground, my son considered the play still alive and continued toward the goal at full speed. Instead of picking up the ball, ending the play, and easily punting it away, the goalie watched this crazed maniac charge toward him, and he froze. His panicked, last-second attempt to clear the ball went right into my son/maniac, who just nudged it to the left and punched it in for an easy goal.



Rick@LBMJournal.com

We've all been that goalie at one time or another. He did an admirable job on the hard part (stopping the shot), then relaxed and assumed his work was done. But it wasn't. He got distracted, acted too late, panicked, and paid the price.

Our days are packed with distractions. Many of which we've faced before, so we assume we know how they'll play out. And we're usually right. Which means we're occasionally blindsided, like when a competitor one-ups us in an area where we're the long-time leader in our market. Or when a long-time employee announces that they've accepted an offer from a competitor. Or when a pandemic strikes and somehow leads to unprecedented demand for building materials—which then leads to product shortages and price spikes.

We don't know what form our next major challenge will take. We don't know what will happen with the current housing boom, or interest rates, or inflation, or a million other things. But here's the thing: *nobody* knows what's going to happen next. The great thing about that is we're on a level playing field. We may not be able to control what's going to happen, but we can control how we prepare, and how we respond.

"Control what you can control" is easy to say, but can be tough to execute, especially when an unexpected, and unwelcome, threat enters our world. In his column on page 30, Shane Soule addresses how our current reality of strong demand and record-high lumber prices is playing out very differently for different companies.

Rick Davis's decision to write about prospecting in his column on page 20 may seem odd, considering that some dealers are having to turn customers away, until we remember that this current market won't last forever. Follow his advice, and when the market slows, you'll have the edge on your competition.

Those are two examples of the practical, tactical insights shared by our industry-best lineup of columnists in this issue. Our goal at *LBM Journal* is to go beyond reporting the news, and to deliver the intelligence that you need to navigate our wildly competitive and unpredictable industry. And sometimes, to remind ourselves that like the goalie above, if we don't take control, someone else will.

— Rick Schumacher
Executive Editor & Publisher

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The good kind of ‘unprecedented’

IF YOU WEREN'T YET TIRED OF THE TERM “unprecedented times” during the COVID-19 pandemic, you're surely ready to retire the phrase in reference to lumber prices and materials shortages. Indeed, lumber prices are high, and some materials are taking a while to make their way through the distribution channel, but it's not all doom and gloom. Politics and finger-pointing (often the same thing) aside, every lumber dealer is experiencing the same unprecedented prices and demand challenges, just as they're now looking back on the same unprecedented pandemic.

Having made it through a global pandemic with mandated shutdowns and seismic shifts in buyer behavior, nearly every dealer I've talked to recently is looking back at unprecedented revenues in 2020 and projects more of the same for 2021. So, while the term unprecedented times most often refers to never-before-seen losses, we should all feel fortunate to be operating in an industry in which revenue and growth were also unprecedented.

Which brings me to this month's issue of *LBM Journal* and the columnists inside who recognize our industry's position and encourage us to tap the brakes and turn off the cruise control even if it feels as though we're working with the wind at our backs. In Rick Davis's column on page 20, he reminds us that busy times, and fruitful times, aren't going to last forever. While we may feel the urge to let networking and relationship nurturing go by the wayside because we're just too busy for it now, we'll regret it in the

future when it comes time to turn to those customers for new business connections. In fact, Davis says, now is the perfect time to reach out to your customers and potential customers and ask how you can help them navigate pricing uncertainty. “Even if you don't see an immediate sales opportunity...find a reason to bring value,” Davis says.

On page 18, Bill Lee resurrects one of my favorite lines of his, “breathing your own exhaust.” By that, he means spending too much time in the office, too much time in your own lumberyard, and not enough time learning about how other folks in the industry do business. “Managing a construction supply business is not rocket science,” he says, “but neither is it a no-brainer. Just maybe the way you're doing things is not as efficient as the way others are doing them.” (If you've ever heard Bill speak, you read that with his eloquent southern voice in your head.)

Bill encourages readers to get up out of their office chair, truck, or forklift and see how it's done somewhere else. One way to increase profitability is to visit businesses that are more profitable than your own, he says. Another way is to visit with others in the industry who, in other markets, may just hold the solution to a problem you've been trying to solve. Those folks can be met at this year's LBM Strategies conference Oct. 13-15 in Boston. If you'd like more information about how to attend, shoot me an email, or visit lbmstrategies.com. Here's to more of the good kind of unprecedented times ahead.

— James Anderson
Editor



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UPDATES

PEOPLE

Arcitell, LLC recently announced the hiring of **Brian Martin** as director of sales and marketing.

Associated Builders and Contractors (ABC) has announced that **Tia Perry**, formerly ABC's director of business development and partnerships, will now serve as its director of inclusion, diversity, and equity. Also introduced by ABC is **P. Bianca Domally** as chief financial officer.

MAX USA has hired new members of its sales team, including: **Brendan Shutts** in the Southeast; **Jeff Brian** in the West; and **Zak Bornhoft** in the Midwest.

Palmer-Donavin has named **Tom Bartlett** vice president of operations.

BlueLinx has hired **Tyson Winfrey** as general manager of its Grand Rapids, Michigan branch.

DISTRIBUTION

Forest Products Supply/F.P. Supply has introduced **KLEER Lumber** PVC trim, mouldings, and sheets at its facilities in Columbus, Ohio, and Indianapolis.



MARTIN



PERRY



DOMALLY

Emery Jensen Distribution has announced that their national trade show, Emery Jensen Edge, will be a live, in-person event taking place in Orlando, Florida in September.

Eastern Engineered Wood Products recently held a groundbreaking of the company's new distribution center near Keysville, Virginia.

Capital Lumber is now carrying **Vista Railing Systems** in Salt Lake City.

Overseas Hardwoods Company will distribute **DuxxBak Composite Decking** products in the Southern U.S.

Orgill has opened its Rome, New York distribution center, doubling its capacity in the region.

INDUSTRY

Simpson Strong-Tie is again sponsoring the Habitat for Humanity East Bay/Silicon Valley Women's Leadership Build. The company has donated \$45,000 to the Build since the start of its sponsorship in 2018.

VERSATEX has launched **VERSATEXcommunity.com**, an online community for homebuilding industry.

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

SINGLE-FAMILY HOUSING STARTS LOWER THAN EXPECTED IN MAY

Overall housing starts increased 3.6% in May to a seasonally adjusted annual rate of 1.57 million units off of a downwardly revised April reading, according to a report from the U.S. Department of Housing and Urban Development and the U.S. Census Bureau.

The May reading of 1.57 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 increased 4.2% to a 1.10 million seasonally adjusted annual rate. The multifamily sector, which includes apartment buildings and condos, increased 2.4% to a 474,000 pace.

"Single-family starts held firm in May as demand remains strong despite recent gains in new home costs," said Chuck Fowke, chairman of the National Association of Home Builders (NAHB). "However, single-family permits posted a decline as higher construction costs are deterring some

residential construction activity. Policy-makers need to help the industry's supply-chains in order to protect housing affordability."

"Single-family permits declined to the lowest pace since September 2020 as the home building market cools somewhat to adjust to higher prices and longer delivery times of building materials," said NAHB Chief Economist Robert Dietz. "The count of single-family homes permitted but not started construction is up 53% over the last year due to both gains for home construction since the onset of the 2020 virus crisis and the delay of some building projects due to higher costs for materials and labor."

On a regional and year-to-date basis (January through May of 2021), combined single-family and multifamily starts are 46.3% higher in the Northeast, 37.2% higher in the Midwest, 19.0% higher in the South and 26.4% higher in the West. These gains come off of depressed activity levels from last spring.

Overall permits decreased 3.0% to a 1.68 million unit annualized rate in May. Single-family permits decreased 1.6% to a 1.13 million unit rate. Multifamily permits decreased 5.8% to a 551,000 pace.

The number of single-family homes permitted but not started construction continued to increase in May, rising to 142,000 units. This is 52.7% higher than a year ago.

Meanwhile, the number of single-family homes under construction is up 27.8% year-over-year, having increased to 652,000 homes. The number of apartments currently under construction is relatively flat at 672,000 units.

LOOKING AT REGIONAL PERMIT DATA ON A YEAR-TO-DATE BASIS, PERMITS ARE...

HIGHER IN THE NORTHEAST	43.2% ▲
HIGHER IN THE SOUTH	29.9% ▲
HIGHER IN THE MIDWEST	36.2% ▲
HIGHER IN THE WEST	33.7% ▲



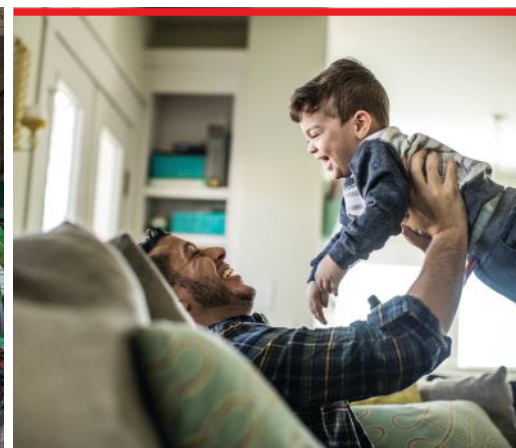
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UPDATES

ASSOCIATIONS

LMC President & CEO **John Somerville** received the **National Lumber and Building Material Dealers Association's** Lifetime Distinguished Service Award.

Mid-Cape Home Center's President, **Jack Stevenson**, will be honored by the **Massachusetts Retail Lumber Dealers Association (MRLDA)** as Lumber Person of the Year.

The **National Lumber and Building Material Dealers Association** has presented the Chairman's Award to longtime NLBMDA leader, **Rick Lierz**, President & CEO of **Franklin Building Supply**.



SOMERVILLE



STEVENSON

TOUGH CALL ANSWERS

ANSWERS TO OUR MAY TOUGH CALL SURVEY:

UNMASKED

A LOYAL, LONG-TIME CUSTOMER REFUSES TO WEAR A FACE COVERING IN YOUR STORE. HERE'S HOW READERS WOULD HANDLE THIS TOUGH CALL.

SURVEY RESULTS FROM LBMJOURNAL.COM

23.7%

INSIST. Tell Bob that public health concerns override his views on masking. As long as it's a mandate for everyone, that includes him. He's not welcome in your store without a mask.

7.3%

SPECIAL HOURS. Since Bob is such a good customer, work out a couple of times per week (outside regular business hours) where he can shop mask-free.

40.2%

LIVE WITH IT. Letting one good customer shop your store without a mask isn't a public health crisis. Just accept it, and if the governor wants to arrest him, it's out of your hands.

28.8%

DELIVER. Show Bob how important his business is by delivering all of his purchases to the jobsite of his choice. Agree on minimum order size to waive all fees. Win. Win.



TOUGH CALL RESPONSES

The first and last choice are best solutions, but the first is incomplete and would be insulting to the customer. Remind them of local restrictions that as business you are required to follow, however curbside pickup is immediately available. Just call into the customer service department from outside the door and we will process the order forthwith. Respect and understanding are two-way streets.

— Peter Colgan, Waldo Bros., Boston

I would stress the urgency of the requirement and explain how many people he may infect working his order from front counter to final delivery, not to forget his crew and our valued customers. Make it a point to explain the number of customers who are and were infected, and the few who did not survive. We are essential business operators and require the safety and cooperation of our customers to ensure the mandated health practices are enforced to the letter all for his protection and well-being, as well as that that of his loved ones.

— Allan Denisewicz, The Siding Depot, Asbury Park, NJ

THANKS TO EVERYONE WHO VOTED ON THE MAY SURVEY. SEE PAGE 64 FOR THE JULY TOUGH CALL: "THE LABOR/WAGE QUESTION"

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Executive Vice President
Construction Supplier's
Association



SUNNY BOWMAN
President & Owner
Dakota County Lumber
Company



RICK DAVIS
Founder & Principal
Building Leaders



THEA DUDLEY
Credit Overlord
Pocket Protectors LLC



ROB EVERSON
Director National Accounts
Cameron Ashley
Building Products



BRADLEY HARTMANN
President
Behind Your Back
Sales Co.



BILL HAYWARD
CEO
Hayward Lumber &
Hayward Score



DENA CORDOVA-JACK
Sr. Director, Leadership
& Talent Development
Kodiak Building Partners



CARL MOYERS
Director of
Human Resources
Parr Lumber



JOHN PERNA
President
Hamilton Building Supply



TED RIEPEL
Managing Partner &
Founder
1st West M&A



RICK SCHUMACHER
Executive Editor &
Publisher
LBM Journal



SHANE SOULE
President
ProTec Panel & Truss



GREG TEMPLEMAN
President
Sunpro Corporation



JOHN WAGNER
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AMY WARREN
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and Engagement

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OPTIONAL

WOMEN IN LBM WORKSHOP

AMY WARREN, DENA CORDOVA-JACK, KATIE BODIFORD

Join us for an unmatched opportunity to connect with industry leaders who are looking to build bench strength with more Women in LBM. The research is clear: companies with diverse teams perform better and are more profitable. Yet, women are leaving the workforce at disproportionately faster rates due to COVID-19. And women still comprise just a small percentage of our industry. Learn how you can help increase diversity and inclusion at your company, no matter what your role. We'll start with an earnest state of the union on women in LBM, followed by leadership traits of successful women, and more. You'll leave this session—which is open to all attendees—with practical tips you can apply right away to level up your own leadership and make positive change at your company. Live Q&A will follow.

WELCOME NIGHT COCKTAIL RECEPTION

10/14 **SALES LESSONS LEARNED FROM THE END OF THE WORLD**

RICK DAVIS

The unusual times of our industry are unprecedented. Housing inventory is low while commodity prices soar. Builders are struggling to cope and keep up with demand. Pressure to perform in your workplace has never been greater. Labor shortages abound. Oh yeah...we've been affected by a global pandemic too. Rick Davis argues that this is a time to hone selling skills and leverage a boom in the LBM industry. You'll leave this session with fresh insights into managing expectations in difficult times, leveraging uncertainty instead of fearing it, and creating a vision for your sales model that endure in all times.

HOW TO MAKE YOUR COMPANY A GREAT PLACE TO WORK

BILL HAYWARD

LEVERAGING THE POWER OF SALES + CREDIT

THEA DUDLEY, ROB EVERSON

Do you think that credit is credit, sales is sales, and never the two shall meet? That these two areas of your business are so fundamentally different, there is no opportunity to unite? Then buckle up, because this session will challenge your perceptions and dispel some entrenched, and expensive, stereotypes. In this spirited discussion, sales veteran Rob Everson and credit overlord Thea Dudley will share real world insights on how to leverage the combined power of your credit and sales departments, then reap the benefits to boost your company's culture and bottom line. Live Q&A will follow.

CUSTOMER 'STICKINESS': USING A MEMBERSHIP PROGRAM TO DELIVER VALUE & PROFITS

JOHN PERNA

In this can't miss session, learn how John Perna and his team at Hamilton Building Supply studied leading retailers like Amazon, Target, and Home Depot, then used that knowledge to build out one of the LBM industry's first customer membership programs, HBS SELECT. Described as "our version of Amazon Prime," HBS SELECT members enjoy free shipping, free delivery, and a rewards system that leads to a year-end purchase incentive. With dual goals of speed and customer 'stickiness,' Perna will share how his team leverages this membership program, and their new e-commerce platform, to go beyond generic promises of "great service and competitive prices," to deliver genuine value to their customers.

EMOTIONLESS LBM PRICING

GREG TEMPLEMAN

Pricing negotiations can be one of the most emotional and relationship-gnawing parts of operating a construction supply business. That's why Greg Templeman and his team at Sunpro have worked to remove the emotion and subjectivity from pricing by making it very clear which specific, objective factors and behaviors determine price. In this session, Templeman will share the experience of how this "emotionless" pricing strategy has provided clarity to what drives price for Sunpro and its builder customers, and how it transformed price negotiations into mutually beneficial partnership discussions. Live Q&A will follow.

OPERATIONAL EXCELLENCE: THE PERFECT DELIVERY

SUNNY BOWMAN

You can have the best performing sales rep in your market, but if your deliveries are subpar, you're going to lose business to the competition. That's why Sunny Bowman and her team at Dakota County Lumber emphasize "Perfect Delivery." In this session, you'll learn how Bowman defines perfect delivery, and how her company uses this fundamental service to create separation from competitors ranging from big box retailers to large pro chains. Live Q&A will follow.

NETWORKING RECEPTION

10/15 **YES, FEAR WORKS (BUT THERE'S A BETTER WAY)**

BRADLEY HARTMANN, CARL MOYER

You have underperforming managers. They manage on gut feel, intimidation, and fear. And yet these managers remain. Why? Because bad managers get stuff done. Turns out fear actually does work. But there's a better way. In this session, Carl Moyer and Bradley Hartmann will share the stories of America's greatest managers of the 20th century you've never read about as they demonstrate how you can coach up your challenging underperformers while guiding your top performers to greater heights. From what NOT to do, to the more nuanced what TO do, you'll leave this session with memorable and actionable steps to improve everyone on your team.

THE PERFECT WAVE: HOW SELLERS ARE LEVERAGING TODAY'S WHITE-HOT M&A SECTOR

JOHN D. WAGNER, TED RIEPLE

There's a race underway to consolidate building material dealers and component manufacturers. This is driven by a fragmented market ripe for consolidation, low interest rates, housing demand, and ready access to cash for buyers to make acquisitions. If you, as a seller, miss this "perfect wave," you may have to wait out another full economic cycle to take advantage of today's top prices. In this presentation, Wagner and Rieple, who manage one of the LBM industry's most-active "sell-side" M&A firms, will share their insights on deal values, obtaining the best price as a seller, and how long this perfect wave will last.

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epicor.com

DEC 8-9 NORTHEASTERN RETAIL
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128th LBM EXPO | Providence, RI
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RIISING MATERIALS COSTS WEIGHS DOWN BUILDER CONFIDENCE

Rising material prices and supply chain shortages resulted in builder confidence dipping to its lowest level since August 2020. The latest National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), shows that builder confidence in the market for newly built single-family homes fell two points to 81 in June. Despite the monthly decline, the reading above 80 is still a signal of strong demand in a housing market lacking inventory.

“Higher costs and declining availability for softwood lumber and other building materials pushed down builder sentiment in June,” said NAHB Chairman Chuck Fowke. “These higher costs have moved some new homes beyond the budget of prospective buyers, which has slowed the strong pace of home building. Policymakers need to focus on supply-chain issues in order to allow the economic recovery to continue.”

“While builders have adopted a variety of business strategies including price escalation clauses to deal with scarce building materials, labor and lots, unavoidable increases for new home prices are pushing some buyers to the sidelines,” said NAHB Chief Economist Robert Dietz. “Moreover, these supply-constraints are resulting in insufficient appraisals and making it more difficult for builders to access construction loans.”

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.

All three of the major HMI indices posted declines in June. The HMI index gauging current sales conditions fell two points to 86, the gauge charting sales expectations in the next six months posted a two-point decline to 79 and the component measuring traffic of prospective buyers dropped two points to 71.

Looking at the three-month moving averages for regional HMI scores, the South rose one point to 85, the West fell one point to 89, the Midwest dropped three points to 72 and the Northeast posted a five-point decline to 78.

NLBMDA MEETS WITH COMMERCE SECRETARY'S OFFICE ON LUMBER VOLATILITY

The National Lumber and Building Material Dealers Association (NLBMDA) has met with Secretary of Commerce Gina Raimondo's senior staff and other high ranking Commerce Department officials to discuss the ongoing concerns regarding lumber price volatility and the lumber and building material industry. NLBMDA released the following statement:

“NLBMDA, as the national voice of the LBM industry, had a highly productive meeting with Secretary Raimondo's office and we are confident in her department's willingness to find workable solutions to address ongoing price volatility,” said NLBMDA President & CEO Jonathan Paine. “We had a very positive and frank discussion about our industry's concerns, specifically trade barriers to a free market, and the need to reengage in a new Softwood Lumber Agreement. Secretary Raimondo's staff was receptive to our concerns and expressed a desire to work closely with NLBMDA to find a resolution to the ongoing lumber price volatility. We appreciate Secretary Raimondo's willingness to examine all aspects of the construction supply chain and NLBMDA looks forward to engaging the Commerce Department's request for a series of follow-up conversations with us in the weeks ahead.”

BY THE YARD NEWS FROM LUMBERYARDS AROUND THE COUNTRY

US LBM to acquire ACS

Two top 10 LBM JOURNAL 100 companies are joining forces as US LBM has announced it will acquire American Construction Source (ACS). Upon completion of the acquisition, US LBM will operate nearly 400 locations nationwide. US LBM also has reached an agreement to acquire J.P. Hart Lumber and Hart Components, a building products distributor and manufacturer with eight operating locations across Texas.

Woodson Lumber's new general manager

Kyle Albrecht has been named the general manager at Woodson Lumber in Lexington, Texas. Joshua Lay will celebrate 15 years at Woodson in July and Antonio Martinez will celebrate 25 years with Woodson in August.

Taylor's expands with two Virginia locations

Joe Taylor, president and CEO of Taylor's Do it Center and Pleasants Hardware, announced the company is opening two new locations this fall. A new Pleasants Hardware location will open in New Kent in October and a new Taylor's Do it Center location will open in Gloucester Point in November. This will be the 12th Taylor's Do it Center location and ninth Pleasants Hardware location.

Spahn & Rose to acquire Metro Building Products in Georgia

Spahn & Rose Lumber Co. has entered into an agreement to purchase Metro Building Products, based in Marietta, Georgia. The acquisition will mark the third major addition for Spahn & Rose in the past three years. In February 2019, it acquired the Lake Geneva, Wisconsin-based Dunn Lumber. In February 2020, it acquired Reinbeck, Iowa-based Moeller & Walter Lumber.

Randall Brothers expanding in Atlanta

Building on the 2019 acquisition of PMC Building Materials, Randall Brothers Inc., is opening a new headquarters and a branch location in Atlanta.

TAL acquires Badger Building Centers

TAL Holdings LLC, a 11-store chain of retail building material centers in Oregon and Washington, has acquired the four-store chain of Badger Building Centers, operating in Post Falls, Sagle, and Bonners Ferry, Idaho, and Kalispell, Montana.

Builders FirstSource adds Alliance

Builders FirstSource, Inc. has entered into a definitive agreement to acquire Cornerstone Building Alliance SW, LLC, for approximately \$400 million. Alliance is the largest independently operated supplier of building materials in Arizona.

Stine donations help rebuild Louisiana

Stine Home & Yard recently donated \$10,000 in building materials to the Fuller Center for Housing Disaster ReBuilders.

McCoy's opens Liberty Hill, Texas location

McCoy's Building Supply's latest location in Liberty Hill, Texas opened on June 7. The new store features 15,000 square feet of inside retail space and a paved, drive-thru lumberyard. The new store serves professional homebuilders, remodelers, and do-it-yourselfers throughout Liberty Hill and its surrounding area. Store Manager Matthew Pool leads the store team along with Assistant Managers Tyler Volek and Alan McCarthy.

Next generation takes leadership role at Pacific Coast Building Products

Ryan Lucchetti is now president and CEO at Pacific Coast Building Products, replacing his father Dave Lucchetti. Ryan began his career at Pacific Coast working during summers while in high school and college. Over the years he gained experience working in many different aspects of the business. Since 2010, he has served as president of PABCO Building Products. Dave, who has served the company since 1970, will be assuming the role of executive chairman of the board.

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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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Breathing your own exhaust stifles productivity

BY BILL LEE

OWNERS AND MANAGERS who work day-in and day-out in their own businesses are almost always guilty of breathing too much of their own exhaust. They often find themselves in a rut. Their primary source of new ideas comes from each other. Creativity is diminished. Profitability is almost never optimized.

Several years ago, our firm received an assignment from a highly respected LBM business in the Northwest. When I first met the owner, he told me something about his management philosophy I had never heard before.

“Our community is not exactly the Mecca of innovation in retail marketing and merchandising. We have a travel budget of over \$50,000 annually to take our management team around North America to visit other retailers who can teach us something new. Long ago we learned everything that each other knows. To stay on the leading edge, we must travel to other markets to expand our horizons.”

As a consultant, about all I have to offer my clients is what I have learned from my exposure to successful LBM businesses. I have visited well over a thousand LBM businesses in my 50 years in this industry. On consulting assignments, I delve into the depths of my clients' businesses. While I can bring new ideas to my clients that help them improve profitability, I am also in a position to explore what I believe each of these businesses is doing better than anyone else.

How many LBM businesses have you visited recently? If you're not earning 6% to 8% before taxes, you're missing out on a big opportunity to get away from your business several times a year to breathe in some fresh, new, and innovative ideas you can take back home with you.

Years ago, I was asked to moderate an industry roundtable group. If you're not a member of one, I encourage you to find one to join or start one of your own.

In the roundtables our company has facilitated, we have seen pretax margins soar, some as high as 10% before taxes. The reason is simple: Non-competing owners and managers sit around a table and compare their financial results in virtually all categories. If one dealer is spending, say, 52% of gross profit dollars on people-related expenses and another is spending only 45%, you're looking at a significant effect on the bottom line. The managers who are performing the poorest are in a position to ask enough questions to find out why.

Every business is doing something better than every other business. If I can uncover what that something is, I become a much smarter consultant. If you can find out what other non-competing dealers are doing more effectively than you are, and you are willing to implement these disciplines in your business, your productivity will generally improve.

Managing a construction supply business is not rocket science, but neither is it a “no-brainer.” Just maybe the way you're doing things is not as efficient as the way others are doing them.

If you learned that another operations manager is achieving 22% more in unit sales per truck than your business is, wouldn't you want to quiz him about it? Think about this difference in terms of the number of drivers and delivery vehicles he needs versus the number you need to deliver the same volume of merchandise.

To improve your profitability, make a commitment each year to visit businesses that are more profitable than yours. ■



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

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Prospecting is a state of mind

BY RICK DAVIS

HERE IS WHERE I GET TO SHARE 650 words that can be expanded to thousands or narrowed down to one—*prospecting*. In fact, I shun the term “prospecting” because it inherently causes salespeople and managers to think about the process of locating new accounts, which means looking for immediate sales opportunities. Therein lies the rub.

Right now, the refrain of most salespeople is, “Are you nuts? I’m just hanging on by a thread! There is no time for prospecting...” To this I say, the moment prospecting becomes urgent, it’s already too late. Prospecting is a state of mind, not time.

Let’s begin by substituting the word “networking” for prospecting. The power of relationships is with people, not just businesses. Today’s worker bees are tomorrow’s decision-makers. The employee for one contractor today is the owner of a small business tomorrow that you can help grow. A nail-pounder today is tomorrow’s foreperson or even vice president. So be careful who you ignore while busy putting out fires and getting things done; you might be missing sales opportunities for tomorrow.

I wrote my second published article in 2004 on the subject of prospecting. Nobody paid attention because business was booming, and it seemed like the good times would last indefinitely. Sound familiar? Now is the time for proactive networking to cull, cross-sell, and trade up!

I wrote about “culling” two months ago, but feel it is a concept worth stating again. Culling is the process of selecting the optimum value from a group by eliminating the undesirable goods such as spoiled fruit, diseased cattle, or damaged goods. In this case, it means culling those low-margin, high-nuisance accounts that were unprofitable in normal times. This is a time of abundance (as in a target-rich environment) where all contractors are clamoring for attention and an allocation of your scarce resources. It’s time to trade up for better, loyal, fair-margin, low-nuisance accounts.

“Cross-selling” means identifying opportunities to sell more to your existing customers. Too many salespeople in the LBM industry emphasize their “primary” product (usually lumber) and treat all other goods as secondary items to be sold after the primary. While you’re busy doing favors for your customers by putting out fires and allocating your precious inventory, it is the right time to sell more products and stop thinking of them as secondary. More importantly, if lumber is so scarce to be on allocation, try leading with other products to open new relationships.

The way to “trade up” is to plant seeds of growth. Nobody will argue with you that the market is challenging with unprecedented product scarcity and price fluctuations. Instead of prospecting for instant sales and gratification, make sure you are networking within the ranks of your accounts.

Even if you don’t see an immediate sales opportunity with prospects, find a reason to bring value. The problems your customers have with current pricing uncertainty is not you; it’s their customer. Help them (both your clients and prospects) communicate better with *their* customers to build your reputation so you are their first choice as a future supplier.

The market fluctuates. What goes up must come down. If you are a top-tier sales leader, you know this. If you are not, don’t wait until times of scarcity creep up and affect you negatively. The opportunities for sales you’ll get tomorrow are based on the seeds of opportunity you plant today. You can be a short-term thinker who argues that time prevents networking opportunities or a long-term visionary who is building a stable sales model that endures for years to come.

Prospecting (i.e., networking) is not something you do with time left over at the end of a day or an hour a week specifically allocated for the process. It is a state of mind that never dissipates in good times or bad. It is the mindset of true sales leaders. ■



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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What's really causing high turnover among hourly workers?

BY RIKKA BRANDON

THE QUEST for quality team members in the yard and on the road continues to get more and more difficult. Turnover rates for hourly workers in distribution settings are soaring (I've heard from some dealers that turnover is as high as 50% to 70%), and filling vacant jobs is extremely challenging. In fact, in the LBM Journal 100, participants identified drivers and yard workers as the two hardest-to-fill positions.

It's easy to blame higher unemployment benefits during the pandemic, that people would rather stay home and collect a check than work. But while that might be true for a small portion of the population, the idea shifts much of the blame away from companies. Many businesses simply aren't paying a healthy wage that rises above what a person might receive on government assistance.

Even if you disagree with this argument, consider the costs associated with high turnover. It's a hole in your bucket that's leaking profit. In fact, it may cost more to replace the person than if you had paid them a few dollars more an hour in the first place.

All of this comes while we lean on hourly workers to deliver company promises of "on time and in full," expect them to provide stellar customer service, and tout the power of relationships. But if you treat hourly employees as a commodity, those workers will view their role as "just a job," a necessary evil. What's the motivation to do well? To go above and beyond? To stay put?

Disengaged employees aren't as invested in customer outcomes and abiding by company goals. And a constant turnstile of disinterested employees only there for a paycheck is enough to send customers packing for other suppliers.

INVEST IN YOUR WORKFORCE

As you consider whether your company needs to adjust its thinking—and its offerings—it's important to remember: You are no longer just competing for talent with the lumberyard across town. You're competing with other warehouse and distribution industries, whether they be Amazon, food service distribution, or even vaccine distribution.

The first step is to reframe how you view hourly employees and the expense of their replacement. You invest in new machinery, in lean initiatives, and other tools to improve your business. Why not employees? You recognize that maintaining your trucks protects their longevity. Why aren't you investing the same time in your team members?

A key solution to this problem is to treat hourly positions as the start of a career path. This doesn't need to be fancy or elaborate, but an established trajectory of training and incentives that shows you're invested in their growth and that they should be too. For example, perhaps after 90 days of work, they can get certified as a forklift driver. After that, have a series of productivity training sessions at various intervals. These elements elevate their skill sets while boosting their vested interest in their future in the company.

There's a scarcity mindset that you might train them only to have them leave. And that's certainly a risk. But your chances of hanging on to them are much greater if you're showing appreciation and helping them feel invested. You're adding value to the job that makes it harder to walk away from.

The other key factor? You have to give them good wages and benefits. Period. Along with not comparing your wages only to other lumberyards, stop targeting "average." If "average" is 50%, it's below your competition half the time.

In addition, offering just one week of PTO for the first year of employment to someone already living paycheck-to-paycheck is not only demeaning, it's not tenable. Aside from needing to take time off to avoid burnout, employees have lives and families that will inevitably need their attention from time to time. If they have to choose, they'll choose to quit.

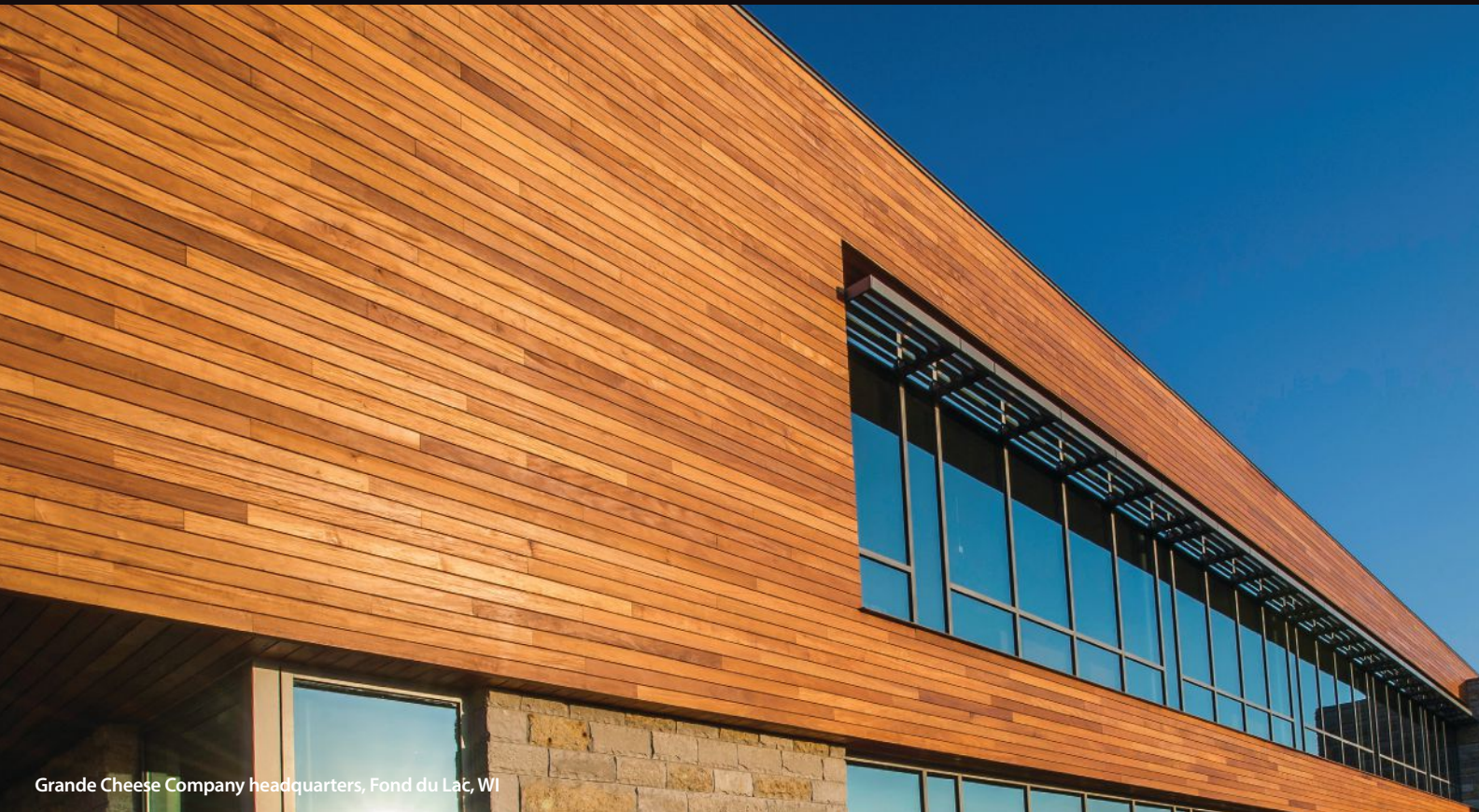
Most potential employees *want* to work. But they're not going to stick around if they can't make a living wage and if they feel like it's "just a job." It's up to you to set the tone. ■



Rikka Brandon is a leading recruiting and retention expert for the LBM industry. She's the CEO of BuildingGurus.com and founder of RecruitRetainRock.com where she helps business leaders solve their recruiting and retention challenges.

Want to hear more on this topic? Listen to Rikka's podcast with Jim Sobek at [LBMJournal.com](https://www.lbmjournal.com).

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Do you lead like a Tigger or an Eeyore?

BY RUSS KATHREIN

IN THE EARLY '90s, I was running our family business with my older brother. The Gulf War had begun, and we'd seen a little slowdown in business. We noticed that the vendor salespeople visiting our stores would ask us how business was, and then they'd share how bad all of their customers were saying things were. We got to wondering if our slowed business had become a self-fulfilling prophecy given how we'd answer when they asked the question. So, my brother had the idea that from now on when people in the industry or our customers asked how business was, we would just answer that it was "incredible." Maybe it was incredibly good, or maybe it was incredibly bad, but either way we were telling the truth, and just maybe we could start passing on what most people would view as positive news. It was our hope that this positive example would be shared and start to gain momentum.

Not long after that, business did start to pick up. Was it because of our new response or just the normal cycle of the economy? We will never know, but we do know how it made us feel and how it affected those around us. That positive vibe started creeping into many different aspects of our business, and all our attitudes started to improve.

Someone once told me that she divided the world into Tiggers and Eeyores. Tiggers were people who celebrated life, spoke and acted optimistically, and were looking for the next adventure. Eeyores were much more reserved, tended to look at the negative side of things, and let the past influence their actions and decisions. Leaders can be divided into the same camps.

The challenge for leaders who are Tiggers is that their staff can view them as too focused on the opportunities and not taking problems seriously enough to want to fix them. One good habit a Tigger should have is to accept and react to all news, both bad and good, with the same demeanor. Celebrate the good news and tackle

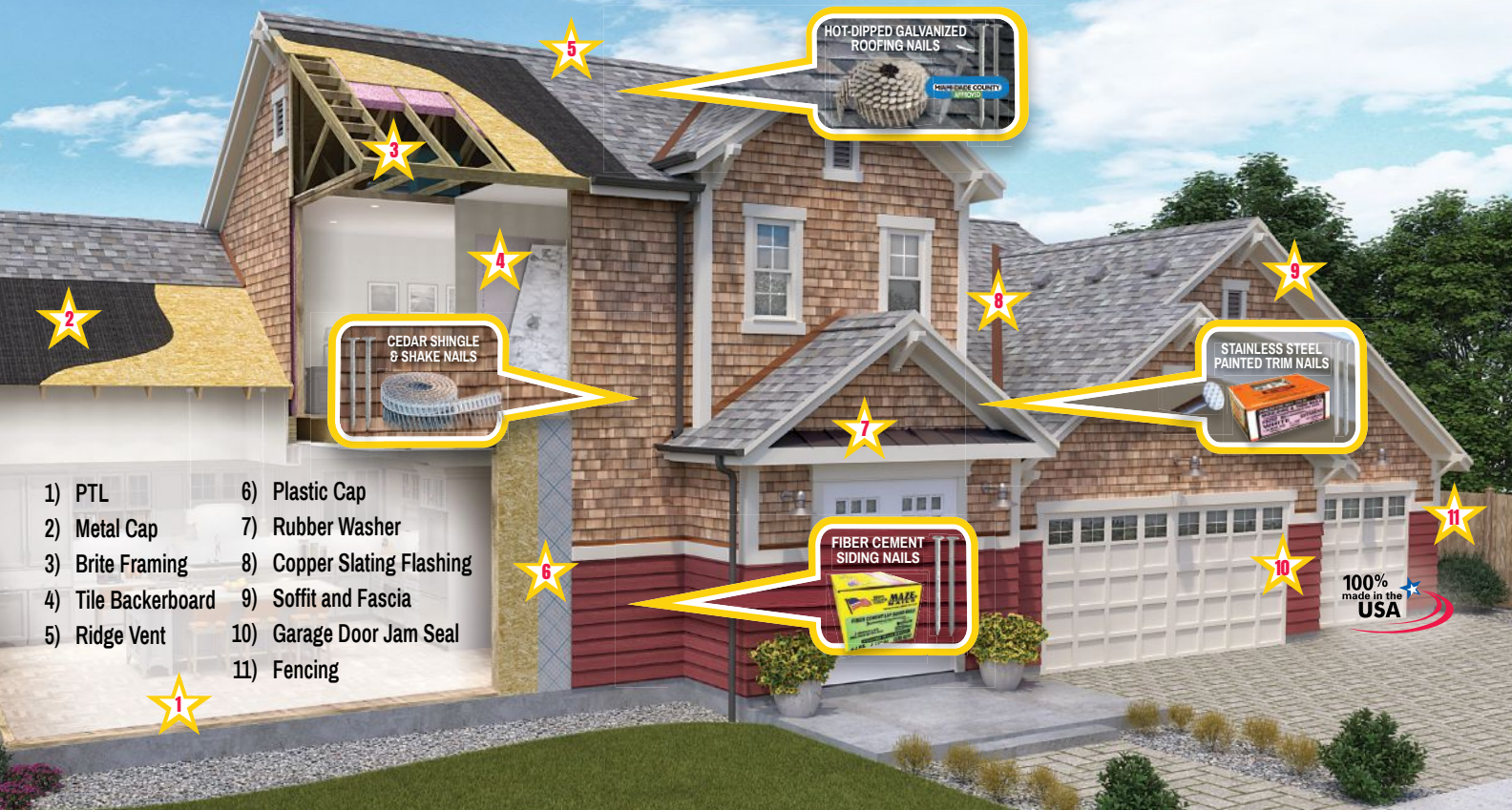
the bad news with an equal amount of enthusiasm. "Every problem is an opportunity" is the mantra for the Tigger, but just make sure to solve the problem by doing a root cause analysis as to why it happened. Don't take shortcuts or just trust that it will be fixed.

The Eeyore leader has the opposite challenge. You take everything seriously and are very practical about wanting to fix things. It is the speed and the degree at which you address things that can cause you problems. How can you go out and be enthusiastic to your people when there is so much yet to be done? In your world, speed kills because you end up missing things. Eeyores are often more introverted, so it's key to step outside your comfort zone or beyond what you think needs to be done. Be cognizant of the image you're portraying to your staff. While you may feel the need to be calm and collected in your thoughts, your words and actions may need to be more dramatic and purposeful.

Most people have both a little Tigger and a little Eeyore inside of them. The trick is in how you manage them and when you let them out. Early in my partnership with my brother, we went through some tough economic times, and it weighed heavily on us both. I remember him walking into my office and closing the door. We both channeled our inner Eeyores as we talked about the challenges we faced, but I will never forget his words as he stood up and left my office. He said, "In here, you can moan and groan how bad things are to me as much as you want, but when you walk out that door, you have to become our biggest cheerleader. They look to you to set the tone, and if you're walking around like the world is coming to an end, they'll follow your example, and that will only make things worse." What he was really telling me was that it was now time to step out of my Eeyore mode that was trying to solve things and into my Tigger mode that would help lead our people. Pretty good advice. ■



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



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How to avoid negativity in the credit department

BY THEA DUDLEY

Dear Thea,
How do you stay out of the “echo chamber” of negativity and the belief that all customers are suspect? Some days I feel that my life is one battle after another against past due customers. How do you avoid becoming the worst version of your jaded self?

—Not Normally Negative in Newport

Dear Not Normal,
 Maybe your question really should be, “What is it about being a credit manager that requires me to be brave?” Blow your nose, clean up from your pity party, and stop buying into the negativity.

Over the years I have found what is lacking for you at this point is resiliency. That resiliency is the reason I, and other sanely surviving credit solution providers (see that positive spin there?) are fine having these conversations and don't let it suck the life out of us. I agree with you there is something to being in this job every day that can become a pattern. Some people are going to hate you and come at you with guns blazing and some are going to be okay with it.

When you have the hate come at you, no matter what you say, no matter what you do, or what solutions you bring, it is a pattern. The anger comes at you and it is incredibly predictable. It takes the same shape, same path, every time. After a while you start to realize it has nothing at all to do with you, it has to do

with them and where they're at, the issues they are having and dealing with by any means necessary to keep their business or life afloat. So I refuse to take it personally. They can't hurt my feelings; it's not about you, it's about them.

What you can do is continue to have those constructive conversations. Demonstrate that you are capable of having an adult conversation about the issue, whether they are or not. Direct the narrative. Bring the conversation back around to solutions. You are trying to get the account paid and salvage the customer—that is your goal. You may not win every battle, but you will become a self-fulfilling prophecy if you Eeyore it up all day in your current state. I like to have a more constructive conversation.

Turn those conversations around with your customers. I will listen to a customer, actively listen (that means giving the conversation your full, undivided attention), to help find a solution. I am not going to offer them a hug, a safe space, or a participation trophy for taking my call, but I will listen to what they are saying and assist in finding solutions.

Credit managing is not for everyone. It takes courage to have the kind of conversations day in and day out that most people can't even have with their spouses. It takes strength and the ability to not be sucked into the toxic drama that can come with the territory.

You do have the ability to be one of your company's greatest assets...or you can become the stereotype. Choose to be brave. ■



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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Creative earnout structures

BY JOHN WAGNER

EVEN WITH THE HOT M&A MARKET, where there is enduring support for strong acquisition values, buyers of LBM companies are not exactly splashing cash around like drunken sailors or newly elected presidents. When discussing deals with buyers about to submit LOIs (letters of intent), we consistently hear phrases that sound like this: “Well, we certainly are interested, and we know there are other parties circling this deal, but we don’t want to over-pay for it.”

Fear of over paying is driving buyers to offer top prices, but to hedge their risk around two issues that have emerged during the pandemic: 1) the so-called “COVID Bump,” where we have seen hyperactivity of people buying building supplies, and 2) the run-up of commodity lumber prices, where you’re probably making the same gross profit margins you’d made pre-pandemic, but your realizing more gross profit dollars as a result of higher prices for things like OSB, framing packages, etc. Those two market dynamics are genuine concerns for buyers, because of their heightened concerns over how *sustainable* the earnings are as the pandemic ramps down, and lumber prices (hopefully) come back to Earth.

To manage that hedge, buyers are using a traditional instrument—the earnout—to bridge the gap in value perception for the seller (who wants full value on all earnings, even COVID-19 and higher commodity prices) and the buyer who loses sleep night after night, thinking a crash is going to happen exactly two weeks after they sign a big check.

We’ve seen two creative earnout strategies recently, one bad for the seller and one good for the seller, and they looked like this, starting with the bad one.

In the first case, the buyer was very cautious. They offered a chunk of cash for the deal at close, around 70% of the purchase price. Then, they spread the remaining 30% over the ensuing three years, when they would pay the seller any EBITDA over a certain dollar amount, each year, until the agreed upon purchase price was achieved. If the purchase price was not fully paid out to the seller after three years because of EBITDA shortfall, the seller had to eat the dif-

ference. If the buyer paid out the agreed-upon purchase price before the three-year period, they buyer would not pay more than that, even if the EBITDA soared above projections.

This offer, of course, was rejected out of hand. It’s ridiculous. First, it’s based on EBITDA dollars. Under a new owner, EBITDA can be easily driven down if the new owner elects to jack up OPEX, with such things as new marketing, new hires, etc. What’s to stop the new owner from seeing their exposure on an upcoming earnout payment, and simply drive up expenses to reduce (even to zero) the amount due to the seller? Second, a three-year earnout is overlong. You really should aim for one year, because who’s to say how the business will be run under new management two and three years hence. There’s way too much risk for the seller here.

A second earnout we saw was much more collaborative and accommodating to the seller, and we accepted it. The total potential earnout was \$2 million. It could be achieved in just one year, not three. And it was based on gross profit dollars, not EBITDA, which is something we insist on for all our clients.

It was structured like this: Since we were projecting that our client, the seller, would grow at 25% in the first year of new ownership, the buyer said, “Once you reach last year’s gross profit dollar figure, we will pay out \$1.25 for every gross profit dollar above that, until the \$2 million is fully paid.” Note that the “.25” in the \$1.25 is the projected growth rate.

In any earnout, a buyer won’t pay for zero year-over-year growth. Not surprisingly, this buyer is paying *only* for year-over-year growth. They are paying a fair premium on every dollar above last year’s gross profit, while putting an incentive in place for the sellers to blow through the projections as fast as possible.

Quick review: When negotiating earnouts, always base them on gross profit dollars; contain the period to max one-year; and structure the earnout so the buyer can hedge their risk, yet reward you, the seller, for the growth that exceeds last year’s performance. ■



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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The rich get richer—that’s a bunch of bull (market)

BY SHANE SOULE

NAVIGATING a market that has quadrupled in barely six months is challenging to say the least. How are these challenges and overall market environment affecting financial performance? Turns out, the answer depends on the perspective and position of the company you consider. Many companies are setting record-breaking bottom lines, while others are setting record sales months while losing money. Why such varied outcomes from companies all presented with the same challenging market? It comes down to capital position, borrowing capability, and risk tolerance. After speaking to different companies all year, I’ve seen different approaches, different levels of success, and different levels of failure. Below are specific examples within “company types.”

COMPANY 1s:

Those with strong capital and borrowing positions

- ▶ **Purchasing.** They learned a lesson from the cost increase and availability pain from last fall, so when signs pointed to a repeat, they approved massive increases in inventory budget and “loaded up.” This further stretched supply and contributed to greater cost increases.
- ▶ **Inventory value.** Their large budget started the year, but they were able to increase lines of credit 2.5 times original max.
- ▶ **Pricing.** A proactive approach to communication meant customers were informed of supply and cost challenges ushering in updated quote terms, for example tightening the quotes to ship windows to no more than 30 days. Quotes to accept became unique from quotes to ship.
- ▶ **Market share.** With their customers aware of pricing challenges, most transitioned lumber and component packages into “allowances” and created transparency. They vetted out the customers who couldn’t or wouldn’t share the market risk as well as the ones who feel the need to shop around.

With record margins and plenty of material on the ground, these companies can take this opportunity to price 10-15% under replacement, take the customer, and still win.

- ▶ **Margin.** 35-45% margins on average cost is the norm.
- ▶ **Net profit.** 10-20% net profit...yes, some are over 20%.

COMPANY 2s:

Those smaller, undercapitalized, with historically low profits, or start-ups

- ▶ **Purchasing.** This type of company tried their best to maximize purchase power in January and February, but had limited abilities due to low borrowing lines. As prices increased, inventory value stayed the same but translated to less and less board footage available.
- ▶ **Inventory value.** Inventory turns increase for these companies out of necessity and as a function of cost.
- ▶ **Pricing.** These companies must hold pricing at market levels. Customers don’t accept increases and go to competitors (like Company 1s) who bring much lower prices back that force unmanageable margins in order to retain sales.
- ▶ **Market share.** Many core customers of these companies move on, though the companies thought their superior service and quality would maintain customer loyalty longer.
- ▶ **Margin.** 11-15%
- ▶ **Net profit.** 3-5% losses

Company 1s are winning. Record sales, record margins, record profits. They are taking customers from Company 2s that they couldn’t touch simply because they have the needed inventory and can sell it at a lower price.

While this record-breaking bull market gives the advantage to companies with strong capital and borrowing positions, Company 2s will be back in the drivers seat if they can successfully navigate this exaggerated market. ■



Shane Soule consults with LBM and component companies to increase productivity and profits, and improve the experience for both customers and team members. Reach Shane at shane@shanesoule.com

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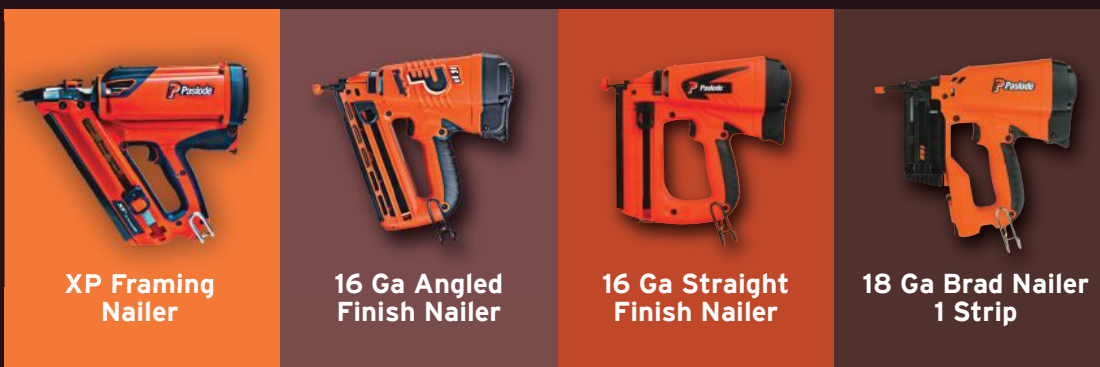
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With the wild swings in the market over the past 15 months or so, many companies have gone from serious sales declines last spring to very strong sales since last fall. These peaks and valleys can play havoc with sales quotas and commissions for our sales pros. This month's question, from a dealer in Ohio, explores the idea of adjusting expected sales quotes, and possibly even commission tiers and percentages, in order to keep our top performers from jumping ship.



SALES QUOTAS AND COMMISSIONS

HOW WOULD YOU RESPOND TO THIS DEALER'S QUESTION?

"We are debating if we should (or should have previously) adjusted expected sales quotas of our salespeople, and possibly even their commission tiers and percentages. With the wild swings in the market over the past year or so—first with the slowdown from COVID-19, then the explosion in sales that kicked in about six months later—we want to be sure we're compensating our people fairly. And we definitely don't want to lose the good ones because our pay structure isn't competitive. Would appreciate hearing from other companies with suggestions or advice."

BY LBM JOURNAL READERS

RESPONSES FROM LUMBERYARDS, BUILDING MATERIAL DEALERS, AND SPECIALTY DEALERS:

“It is a good idea to re-evaluate sales quotas, but you have to be careful when messing with commission changes. I have heard salespeople complain about compensation changes over the years. What is the cost of the change in productivity and dollars?”

“I think salespeople are motivated by commissions and as sales increase, they should be paid their normal commission rate which today makes for high compensation.”

“Our program is a base salary plus car allowance and phone allowance. We pay our folks 13.5% commission. To receive commission—we take the total 13.5% commission amount and subtract the base plus allowances. We pay their insurance, vacations and holidays. We do not have sales quotas or commission tiers. We have expectations in sales and expect our folks to make a certain salary. We do not have any limitations on their income. Their salary goals will set the sales goals.”

“The market has made us evaluate our sales process externally and internally. With clients we do all we can to educate them on waiting periods. We allow our sales team to pursue opportunities outside the norm. We also have added materials that we had not previously sold in order to maintain cash flow. We are currently paying our sales team salaries with bonuses with little-to-no commission. We had to have transparent conversations with the team and come up with numbers that make sense for them. They are in love with the vision and opportunity, so they are willing to stay on board.”

“With an increase in sales and profits this past year, we doubled all employee bonuses. This includes taking all 12 full-time employee bonuses from \$1K-2K up to \$2K-4K.”

“Leave it the way it is. You’ve got to take the downs with the ups. It all works out in the end.”

“Cap at a flat rate of gross margin = 5%.”

“It’s a good time to be an outside salesman. If I’m making \$\$\$, then so should they. Good luck to them and their higher pay. They earn it and in this environment it won’t last forever. Let’s all make some good memories.”

“We adjusted our pay structure after the explosion in sales because our lead times extended. Sales team used to get paid on shipments and we adjusted to pay them half commission when booked and then balance once shipped, instead of 100% commission once shipped.”

“We have not adjusted our process and/or payment on commission. We are 100% commission based, but feel the market will run the other direction as some point. We have communicated to our sales staff to save for the future.”

“No changes, let them reap the rewards also.”

“Setting sales quotas for our salespeople would be a very difficult mountain to climb for our company, so we have chosen not to even try. The economic cycles along with the volatility of wood prices would lead to having to change the quotas way too frequently and as a result we would always be behind the curve. Instead, we pay all our salespeople a percentage of the monthly gross profit of their business. This leads to a fairly high cyclical curve in their pay. Right now they have big smiles, but the 2009 to 2012 period was difficult for them and the company. But the good side of our system is that the salespeople and the shareholders all have skin in the same game. And we definitely don’t want to lose the good ones. Throughout the many cycles of the past we’ve never had to worry about this issue because the good ones always figure out to do most of the right things during the down cycle to keep their household budget balanced.”

“Don’t do tiers. They are complicated and confusing and result in game playing by the sales team. They focus more on manipulating sales/shipments/invoices for their personal gain instead of selling or being a good co-worker. Also, I would make sure you are compensating on true profit, not gross profit. This ensures that any discount/rebate is discounted from commission, as this is money the company never sees. Quotas are a joke too. Do you ever fire a salesperson if they don’t hit it? If you don’t, then don’t bother with all of the time/stress/effort of quotas. Pointless work if the accountability is not enforced on the back end. Whatever structure you have, if they are generating more profit dollars for the company, they should be making more. It would be a lot easier and less stress if sales folk were just salaried and held accountable like rest of the employees.”

“Always pay workers what they are worth. The volatile market conditions have wreaked havoc on ‘normal’ and if you have been able to keep or grow customers, the value of your sales team should be apparent. If you don’t have some type of variable structure in place, the competition will notice.”

“Consumers today are in a mindset I have never seen. Spending is completely out of control in a very healthy way. Customer would walk in a year ago and ask how much for a sheet of OSB and we would say ‘\$14’ and they would walk out without the product saying they would think about it. Today they ask and we say ‘\$60’ they look at you with a short pause and then say ‘give me three sheets.’ Makes no sense. A year ago, for example, a yard’s inventory could have been \$1 million and today it is \$4 million. What happens to the small yard throughout the U.S. if the market price drops fast? We need to get a message out to all to make sure to increase your inventory and to keep inventory at a minimum. We need the Fed to slowly raise the interest rate and remember what the government was formed to do.”

“Our tiered commission structure is based on gross profit dollars attributable to each sales person. We trust that the potential to earn more compensation because of higher sales will keep us competitive in our marketplace.”

“We are leaving it be, they will share the good with the bad. That’s fair, we think.”

“What we have seen is that the variability between salespeople has gotten larger. Those with a few strong builders as customers are selling above last year’s numbers, and those with a number of smaller builders are often below forecast. Our commission is based on gross margin, not total sales. That seems to keep things balanced regardless of what the market does.”

“We are a strict salary-only company, and then we give bonuses for a job well done.”

“Building material prices are up significantly, but availability of many products are down in some cases. Do you pay commissions based on a percentage of sales, percentage of margin, a sliding scale, or other method? If you need to make changes to your commission structure, first ask yourself, does that reward the right behavior? If so, you should move forward with a structure that benefits the sales rep and the company.”

“Late is better than never, but you’ve already put yourself in a bad spot. You should count your stars that they haven’t already left. An ‘A player’ is good enough and smart enough to chase the almighty dollar. With that said, perks and support is an easier discussion starter and may ease the discussion.”

“You should—and need to—increase compensation to salespeople.”

“We have five outside salespeople, and we pay 2% commission on gross sales. I determine pricing on all jobs and there is a minimum they can make.”

“Adjust sales quotas, yes. Commission tiers, however, are a little more difficult. Ours is based on several factors including total sales. With inflation dollars they are killing it. Hopefully they are banking some for when it turns the other way. If they are willing to ride the roller coaster then I would leave it the same. This is definitely a discussion that needs to happen.”

“Offer them a short-term or one-time bonus to help compensate for the wild swings if you are able. Be an open book as well and communicate with your people and let them know where the business is.”

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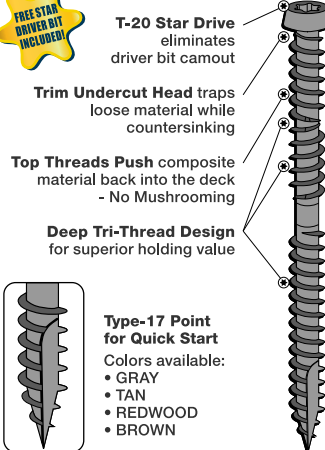
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RESPONSES FROM WHOLESALE DISTRIBUTORS, MANUFACTURERS, AND SERVICE PROVIDERS:

“Any adjustments to compensation should have been made 1/1/21. Doing it now will not be taken well by your sales staff, as it will be seen as a reaction to the current state of our industry. If the compensation plan worked during the past, it should work now. Remember, when this market tanks it’s going to peel off at least as fast and hard as it did on the way up. Are you prepared to lower your general managers and sales staff expectations when that happens? As a rule of thumb, I would advise against making compensation adjustments in reaction to any highs or lows in our business. If your salespeople are capturing a windfall in gross profit right now, let them have it and enjoy it, because they will be working twice as hard when prices fall and will likely get much less for their efforts.”

“Sales quotas and commissions are strategically set in order to drive sales in the direction needed to grow the business to leadership’s expectations. External factors may make the results less than, or greater than, those expectations. Like anything else in this world, it is never a sure thing. Great leadership and their teams are satisfied that all are always performing their best and doing all they can to take best advantage of the current environment regardless of quotas or commissions.”

“Quantity of product sold is the fairest way for company and employee.”

“We will have no change to commission structures, though we provided income support through the deepest part of the downturn.”

“You need to pay attention to your marketplace. Keeping an ear to the ground to find out what your competitors are doing is essential intelligence to use to guide your decision making. Also, given that the price spike is probably transitory and will likely subside as the supply side gets on track as the economy opens up, be careful that any changes you make are able to be stopped and don’t have to be reversed. An example would be time delimited bonus programs which are designed to end (but which can be extended).”

“We have not adjusted, but are trying to come up with something to do for our essential workers who haven’t missed a beat during this last 15 months.” ➤



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“You must have been competitive before the pandemic, so why worry? It sounds like you are questioning yourself, asking, ‘am I paying them too much?’ Well, 2008 taught us to get our commission structure and salaries in order to hold on to good people when everyone else was failing, independent lumberyards were failing, as well as distributors. Still, we were able to retain the same sales force as then with no threat of anyone leaving. The struggle is finding truck drivers and warehouse help. Competing with our own government is making it hard. Stimulus, unemployment compensation, COVID-19 can’t win!”

“If your pay structure isn’t competitive, you should either make it competitive, or over-compensate performance in your sales crew with lucrative commission percentages, to keep that salesforce hungry and performing! When the wholesale lumber business conducted sales surveys years ago, the average compensation percentage was 35% of profits (which may be split up in big wholesale offices by 20% buy-end versus 15% commission on the sell end). But, many wholesalers increase that general 35% up to 50% if the salesperson produces some set amount of gross margin over a quarter/year, etc., that gross margin to get 50% commission was around \$220,000/annually probably 20–25 years ago, a number more easily reached today with record, run-away pricing. And that 50% was awarded on every dollar after the \$220k threshold was met. Of course, any uncollected funds were deducted from the salesperson’s total for the time period in question. And, some wholesalers added perks to maintain solid performers: health, 401(k) matches, dental/vision/hearing, vacations, life-insurance, and discretionary bonuses to differentiate their company from its competitors. So, there’s more than one way to skin a cat.”

“I support and have implemented both ‘capped’ and ‘uncapped’ commission structures. For more experienced, or later-in-career sales reps, I strongly suggest uncapped commissions. These experienced reps have seen and understand swings in the marketplace, and understand that there will be good years and bad years. For younger reps, who are trying to build their savings and establish consistency in their financial lives, capped commissions might be a better route... they sacrifice potential big earnings years with a more balanced pay structure. These programs also are dependent on your sales structure, and whether you want to retain the bulk of your sales team (due to the complexity of the product or service), or if you are okay with 8%, 10%, or even 12% turnover every year.”

“We have a tiered commission system based off the gross profit margin. The higher the total margin for the month, the higher percentage you get of profit. For example: 24.99% and less = 4% of gross profit; 25.00% to 32.49% = 6% of gross profit; 32.50% and higher = 8% of gross profit. Growth targets are based on an average of the past three years. This helps to balance out spikes within the assigned territory. No system is perfect, and different industries work differently. You may need to adjust the percentage tiers to fit your product offering.”

“Maintaining commission levels with the sales force lets them know they are a valuable asset, and we honor our commitment to pay them in a way they agreed upon at the time of hire. If they are not making ‘mustard’ then they need to be released, which was also as agreed upon at time of hire.”

“Pay a higher base rate on a tiered commission. Security is the biggest issue with employees...they need to feel some sort of protection.”

“This is when the value of a strong base pay with bonuses paid on volume is best, instead of the feast and famine of commission sales. You want to keep good people, then pay them well and they will pay back with sales growth.” ➤

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"It is always good to tweak the commission programs to protect the salespeople from unforeseen dips if base salaries are not high. Anytime commissions account for over 20% of a salesperson's typical income, you should try to protect them on the downside. To protect the company from windfalls, we often set caps, but those caps are so generous that our salespeople have not viewed them as limiting. We cannot afford to lose our best salespeople to the competition."

"With employment opportunities opening all around the country, you are right to be concerned about losing your better employees. These days, many people look more to their complete 'package' as opposed to just the pay. Jump on Indeed.com and look to see what your competitors and similar companies have to offer. Compare your PTO/vacation policy, and benefits package. If you don't offer health insurance, your employees may need more than just a paycheck to justify staying with you. Compensating your employees 'fairly' doesn't mean paying them what you feel is fair between you and him or her. Rather, 'fairly' may mean a compensation package that more closely compares to what he or she could get if they shopped around for another job. Do your homework. Look around. You might be paying considerably less than others in your industry/market. Remember, an employee who truly feels appreciated and necessary will likely stay where they are. Check your relationship with your crew. Having said all that, 'sold dollar amount' quotas will not give a great idea of performance. Today, a salesperson can sell half as much as in normal times to meet a quota. Targets based on profit margins may be a better way to create a compensation package. Step up for your best and most loyal people. If you don't, someone else will."

"Stay the course and keep doing what has worked in the past. Sales have always gone in cycles that come and go. Don't start a compensation program that you would need to change again later."

"We have maintained our commission structure throughout the pandemic. Last spring, yes commissions were lower, but business was slow, and no one jumped ship. Basically, there was nowhere to jump to. I told some employees that basically during this time you are working for benefits and we as a company just need to maintain. Some employees were making less than they would on unemployment benefits. This year we are having record sales and commissions are more than making up for the decline last year. So many companies were reducing their work force, but we're lucky to maintain ours."

"With the current market and increases in overall product cost and availability, any quota adjustment would be nearly impossible. Not being sure of the way you pay your sales staff and assuming that it is based upon gross profit and percentage, they would be getting raises by default."

"Considering how important effective salespeople are to our business, our approach is to monitor the market to see what others are paying, and to have open communication with our reps. The last thing I want is to be blindsided by a top rep leaving for more money from a competitor. I feel like if I have to make a counteroffer to try to keep someone on our team, they're already gone. The secret is to pay them competitively and treat them so well that they'll never want to leave." ■

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



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CONNECTED COMMUNITIES

GOLD BEACH LUMBER BUILDS ON RELATIONSHIPS

With seven locations along the Oregon coast, Gold Beach Lumber strives daily to provide lumber and building materials to its customers. In fact, according to the company's website, it's the second thing the Ringer family and staff do every day. "We are a local family-owned business who's mission each morning we turn the coffee pot on is to serve our community," the website says.

Ryan Ringer now carries on an early morning coffee and service tradition of commitment started by his great grandparents Clarence and Pearl Ringer. They opened the first store—called Home & Building Supply—in Hunter Creek, Oregon, just outside of Gold Beach, in 1959.

Ryan Ringer still adheres to the same philosophy of customer—and community—service. Some of Ryan's fondest early memories include riding on a forklift with his grandfather, Rodney Ringer, who passed away while Ryan was a junior in high school.

"By the time I was 12, I was able to run my own forklift and pull my own jobs," Ryan says, "but grandpa sure told a lot of stories on that forklift."

FAMILY TRADITION

The Ringer men have come into the business at a young age, Ryan says, but not without first exploring the business world on their own. When Ryan's great grandparents both became sick with cancer, his grandfather, Rodney, moved back home

to help out. Years later Ryan's father, Reed, was the first in his family to graduate from college and upon doing so, moved east to work in banking for a few years until he came back to take on the family business. And the same is true with Ryan, who worked in sales in Baltimore and Reno before coming back home to take his place at Gold Beach Lumber.

"I grew up riding the school bus to the lumberyard every day because my mom and dad both worked there. I'd sweep the store, take out garbage, or ride shotgun on a forklift. I always knew I wanted to come back, but I didn't really know how or why. I had a passion for this region."

His opportunity to return came in 2002. His father was experiencing a drastic growth curve. He had gone from four employees to 18, but was still operating out of an undersized facility. The Ringers knew the company needed to expand, but to grow the business meant to remodel the facility, add warehouse space, and add real estate.

"But my dad at that point was pretty much a one-man band," Ryan says. So the two had a serious discussion that led to an invitation for Ryan to come home and take part in the family business. Reed would spearhead growth projects and expansions while Ryan leveraged his recent business experience to optimize the company's infrastructure.

"We needed a new POS system. We needed to establish inventory control, a general ledger, that's where I came in and started working on the back office stuff." ➤





Gold Beach Lumber team members collaboratively manage day-to-day operations. From left to right: Ryan Ringer, president; Dean Krushke, VP of finance & administration; Brenda Dunlap, north regional manager; Teresa Engdahl, marketing & advertising; Reed Ringer, past president; and Todd Rigby, southern regional manager.

BIG GROWTH

Since Ryan's return to Gold Beach, the company has made four acquisitions, and completed two greenfield starts. The biggest, the store in Brookings, had been on Ryan's radar for some time.

"We had been doing 60 to 70% of one of our store's volume with people who came from a half hour away in Brookings. I was young and I told my dad we just have to be in Brookings."

At the same time, during the Great Recession, automakers were closing dealerships at a rapid rate. In January 2008, Ryan flew out of town for a weekend and when he came back, an entire car dealership in Brookings was gone.

"I went into work Monday morning, found out who owned the place, contacted them and asked if they'd sell. Within 96 hours I was sitting in my dad's office talking about another store. I was 26 or 27 and pretty naïve to the world."

Reed told his son that if he was serious, he would support the decision financially, but he was at a point in his life where he wanted to work less, so he'd be turning over operations to Ryan.

"He also said I had to be open by June 1, so I had just six months to turn a car dealership into a home center," Ryan explains.

It turns out, 2008 wasn't a great time to add a whole new store...except on the coast of Oregon.

"What I did when we opened the second store is we cut our primary store's labor force in half and outfitted the second location. In hindsight, by doing that we were able to keep more staff than we would have if we had been at just one facility."

That doesn't mean it was completely without worry. Ryan says he went through a stretch of nearly a couple years without a single building permit in the county. Yet he learned that splitting the two locations, he could sell things like paint, trash bags, hardware, and hoses in a second community and those sales basically paid the wages.

"It was a tough few years, but it was actually a blessing. We were in a great position with staff when the world started coming out of the hole."

With Ryan on board, Gold Beach Lumber expanded to seven locations in the decade from 2008 to 2018 through acquisition as well as greenfield builds. With professional builders and remodelers making up 70% of the company's sales volume, the stores range from 5,000 to 22,000 square feet (the former car dealership in Brookings).

Currently about 150 employees staff the stores, of which Ryan says about 90% of positions are made up of long term employees. The remaining 10% are higher turnover positions. "It fluctuates and it's at times difficult to fill. Our stores are in rural America. Everyone grows up and just scatters," he says.



Still, with expanded locations in desirable homebuilding areas, Gold Beach Lumber is on a serious growth trajectory. Last year the company experienced 29% growth.

“This is the first time during any global emergency that the building materials world has been on the safe side of the fence,” Ryan says. “Humbly, we’ll accept that.”

In a sense, Ryan says, the COVID-19 pandemic has shown a silver lining in exposing Gold Beach Lumber to customers who otherwise hadn’t shopped at the stores. Two years ago, he says, some people would wait until Saturday morning to drive an hour to a big box store. Last year, the pandemic forced people to stay home more and shop locally.

“We’ve made a niche for ourselves in our markets,” Ryan says. “It’s like being in a one-horse town. A lot of LBM dealers are after those big topline numbers with minimal margins. And I’ve taken the opposite approach. I’m comfortable with mid-range growth in sales but with a higher margin opportunity.”

Like his father, grandfather, and great-grandfather before him, Ryan says it’s Gold Beach’s connection to the communities it serves that has allowed the company to prosper.

“We’re in rural areas. We’ve always just accepted who and what we are and we try to be really good at it. We’re a rural home center that will never compete with the inventory levels of a big box store. We just don’t have those

GET TO KNOW GOLD BEACH LUMBER

FOUNDED:	1959
LOCATIONS:	SEVEN
OWNERSHIP:	FAMILY
EMPLOYEES:	150
BUSINESS SOFTWARE:	EPICOR EAGLE
BUYING GROUPS/CO-OPS:	DO IT BEST
TOP THREE BRANDS SOLD BASED ON REVENUE:	SOUTH COAST LUMBER PACIFIC WOOD LAMINATES BEST LOOK PAINT

depths on locksets and paint inventory. But we do have excellent people with roots in the community who do their best to service every person who walks through our doors. Our staff is what is making this place tick. Employees celebrating 40th anniversaries this year, they’re basically my dad’s first hires. Those people are anchors, and at the end of the day, whether you’re selling 2x4s, trusses, or roofing, relationships are what make the sale.” ■

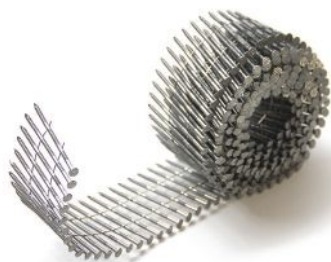


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SIDING

IN A BOOMING HOME IMPROVEMENT WORLD,
SIDING IS POISED FOR GROWTH.

BY MIKE BERGER

WHEN NEIL ARMSTRONG AND BUZZ ALDRIN walked on the Moon in 1969, they wore a lot of protection. They were covered by a suit called the Integrated Micrometeoroid Garment. Made up of 13 layers of material that included a rubber-coated nylon, five layers of aluminized Mylar, four layers of Dacron, and a bunch of other hard-to-pronounce materials that protected the astronauts from thermal solar radiation, micrometeoroids which could puncture the suit, and from the overall vacuum of space.

While we may not be building on the Moon quite yet, today's homes are just as well protected by siding. Engineered to be the outermost protection from solar radiation and the harsh conditions of the elements, siding is the first line of defense and the one that makes the strongest visual statement. And right now, the siding industry is booming. Material shortages, however, combined with a manufacturing world that is straining to ramp up to pre-COVID-19 levels, present challenges the savvy LBM dealer will need to navigate to best provide the products that are in demand along with the solutions their customers need.

THE POSITIVES OF A PANDEMIC

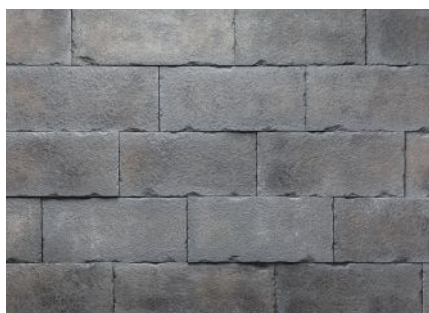
When COVID-19 first reared its ugly head here in the U.S., a large segment of the population was forced into lockdown and businesses shifted to work-at-home situations. While restrictions are easing across the country, there's been a permanent shift in how much time people spend in their homes—for work and for leisure. As a result, they're treating their homes and outdoor living spaces to significant upgrades. "One of the big trends is the idea of home as a family's haven, office, and everything else," says Trinh Le, head of marketing for the siding business at LP Building Solutions. "We saw tremendous growth in upgrading outdoor spaces, like creating sheds as offices and living spaces."

Ben Drury, brand manager for Boral Building Products, also sees a tremendous increase in demand for siding and trim. "Many homeowners spent quarantine finally tackling their to-do lists, and the exterior façade was a great place to start," he explains. "We saw an increase in interest from DIYers, particularly in simple exterior projects that make a big impact, such as replacing aging siding, adding gable vents or decorative mounting blocks, or installing decorative trim. These simple swaps can go a long way to improving curb appeal."

Steve Booz, vice president of marketing and product development for Royal Building Products, echoes these thoughts. "In the past year, our industry has seen a sales lift as a result of homeowners investing in their outdoor living spaces and spending more time at home," he says. "The homeowner demand for low maintenance, beautiful exterior products has increased exponentially and as a result we are seeing a growing demand and increased sales across all of our siding and trim lines."

Because of this supercharged mix of demand combined with a robust housing market and low interest rates, the next 12 months look exceptionally positive for the siding segment. "We believe both new construction and remodeling will continue to be strong for the remainder of 2021 and well into next year, barring any major crisis or a sudden hike in interest rates, which is highly unlikely considering the forward stance of the Federal Open Market Committee on furthering economic recovery," says Jon Lapp, siding product manager for ProVia.

Of course, all of this is predicated on manufacturers being able to meet demand, which could easily be outpaced by demand. As Jeff Adams, president and CEO of Arcitell, LLC (the manufacturer of Qora Cladding) explains, "The first quarter of 2020 saw an increase in demand of 9.5% in residential construction from 2019. As a result of COVID, manufacturers scaled back production. Q1 of 2021 saw a 12.7% ▶



ABOVE: Developed for façades and rainscreen assemblies, Fortress cladding is designed to transcend the limitations of wood by pairing beauty with the strength of composite and PVC.

LEFT: Boral's Versetta Stone Carved Block profile is designed to offer the look of large, chiseled blocks, ideal for contemporary and commercial projects. It comes in two hues—Midnight and Sea Salt—and provides the look and texture of authentic stone masonry without the added skill and time required for installation.



ABOVE: ProVia's Timberbay siding is available in up to 30 different colors and a wide array of profiles. The siding is designed to require no painting, caulking, or staining, and to be cleaned with a simple rinse from a garden hose.

OPPOSITE PAGE: LP SmartSide Smooth Finish Panel Siding features a no-groove surface and square edge designed to accommodate a variety of aesthetics from historic exteriors to more modern looks. According to LP, it's engineered for easier use in metal frame trim systems applications and to hold up against extreme weather conditions including moisture, hail, and up to 200 mph wind gusts.

rise from 2020 in square feet and an 18.9% rise in value. That trend will accelerate throughout the year as capacity tries to catch up with demand.”

Manufacturers, he says, could be taking 20 to 30% more orders daily if materials and labor were available. “It is a good problem for those selling products and bad for the builders and homeowners trying to get their projects completed and into their new homes. The supply issue is a reason why alternative products like the composite siding we manufacture are gaining traction. Firms like ours, which have recently opened and are adding capacity, are prepared to ship to job sites quickly.”



ABOVE: The UFP-Edge Thermally Modified Wood Cladding is made from a process that uses heat and steam to stabilize the wood without the use of chemicals. According to UFP, this process makes it less vulnerable to shrinking and seasonal expansion and contraction.

MIDDLE: Deckorators mineral-based composite (MBC) decking is now approved for use as cladding. Its low-maintenance Voyage, Vault, and Frontier decking as well as its picture frame boards can be installed in horizontal, vertical, and angled applications and are backed by a 50-year structural, 25-year stain-and-fade, 25-year removal-and-replacement limited warranty.

BELOW: Boral's TruExterior Siding Craftsman Collection includes seven historically and architecturally accurate profiles designed to replicate the look of traditional wood siding. It is made with a proprietary blend of fly ash and polymers and requires no sealing of ends or cuts in the field, can be used in ground-contact applications, and can be painted any color, including dark hues.



Amanda Vincent, marketing specialist for RoyOMartin, echoes Adams' comments. “According to data from Freddie Mac, the U.S. is currently short 4 million homes,” she explains. “With housing starts at 1.7 million year-over-year, yes, we could be in this market for a while. Siding and trim should grow in demand along with other wood products and building materials as the demand for housing continues to grow. Innovative, affordable, and readily available products will be the fastest growers. The truth of the matter is that we are experiencing extremely low supply levels and working around the clock innovating and trying to meet demand.”

CLEAN AND CLASSIC DOMINATE AESTHETICS

When it comes to siding and trim, product trends point to an aesthetic that combines clean lines, authentic details and unique customizations that enable one home to stand out from its neighbor. Remaining popular are both the Modern Farmhouse and Craftsman styles, both of which utilize board and batten as well as shake siding—oftentimes in combination. “Vertical and board-and-batten siding are quite popular right now,” says Boral's Ben Drury. “These installation approaches are an easy way to add dimension and visual interest to the home exterior. Vertical applications also can help elevate gables and other accent areas.”

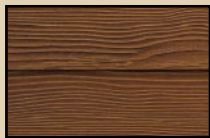
Other manufacturers share similar thoughts. For example, Royal Building Products' Booz says his company has seen demand for board and batten increase by approximately 30%. “In terms of product trends, the Farmhouse design continues to maintain popularity, driving demand for board and batten white exterior siding with dark trim accents.”



Nichiha Sierra Shake - Barnboard



Natural Cedar



IPE



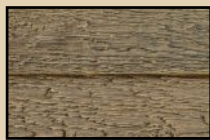
Spanish Moss



Cypress



Charwood



Emerald



Cape Cod Gray



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ABOVE: New from Royal Building products is an Embossed Woodgrain finish for its line of PVC Column Wraps. Because they are made from 100% cellular PVC, the column wraps are resistant to moisture and prevent warping, rotting and insect damage, the manufacturer says.

ABOVE RIGHT: Foundry Siding's two newest colors for its premium Grayne shingle siding line are Mountain Ash, a sandy white, and Rustic Slate (shown). Both feature graining patterns and sharp, crisp edges the manufacturer says create depth and shadow lines that replicate the look of natural cedar.



ProVia's Jon Lapp agrees. "Board and batten vinyl siding continues to gain popularity in nearly all styles of new homes and remodels—the popular 'modern farmhouse' design has brought attention to this siding profile in recent years," he explains. "Another trend gaining traction is the Craftsman style home, consisting of bold shake or board and batten accent gables and dormers, a direct nod to the square and straight design lines and edges found in many traditional home styles."

Complementing these style trends is the growing use of dark siding colors along with a hefty use of mixed siding

RIGHT: The latest Qora Cladding product is Qora Cut LedgeStone TightStack available in Gunstock color (pictured.)

BELOW: Carolina Colortones is a prefinisher of exterior siding, moulding, trim, decking and interior paneling. Shown here is one of their projects using Allura lap siding in Dark Sequoia and Miratec trim in Custom Brown.



materials. "We are seeing a rise in dark siding colors, which continue to trend," says Booz. "Homeowners are seeking out bolder shades, especially shades of deep blue and dark gray that will make them stand out in their neighborhood."

Says Arcitell's Adams, "The most dominant trend is multiple cladding materials on the home. Take a drive through new communities in Denver or Atlanta. You'll see house after house with three to four different materials on the walls and two or even three different roofing materials. Architects and builders are spicing up the looks, and that demands alternative transitions from one material to another."

LOW MAINTENANCE A MUST

While the interest in low maintenance siding and trim materials is nothing new, manufacturers report it as one of the single biggest differentiators when it comes to purchase decisions. "Everyone wants the look of real wood, but they don't want the overall maintenance that can come with real wood," says Guy Campbell, sales manager for Carolina Colortones. "There are more and more products being offered pre-stained to mimic real wood. These coatings have proven to last longer than your average solid color paint job as well, giving the end user a very durable and long-lasting product."

Ask Royal Building products' Booz about the need for low maintenance products, and he'll point to the growth of the company's Cedar Renditions aluminum siding, which has tripled in the U.S. since its launch in 2019. "Homeowners and builders are seeking out low maintenance materials that replicate the look of real wood (especially with the rising costs of lumber), and we are continuing to introduce new siding and trim products that fit with those needs," he points out.

One only has to look at current manufacturing trends compared to pre-housing crash numbers to see the importance of low- or no-maintenance products. As Arcitell's Adams explains, "As we entered the new millennium, vinyl siding and brick were the mainstays of exteriors. As a former CEO of a brick company, I can tell you the

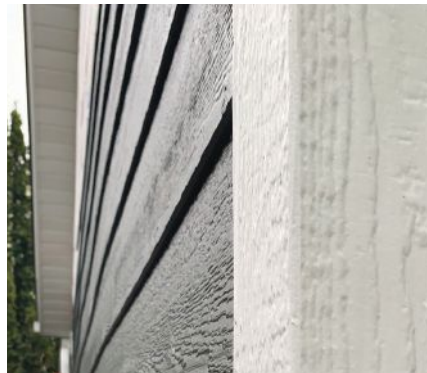
industry has been devastated by trend changes and labor. The brick industry shipped 9 billion bricks in 2005. Last year the sector came in around 4.5 billion. Where did that volume go now that housing starts are back to pre-crash levels? The first answer is cultured or concrete stone. Since 2000, the use of stone on fronts of houses has grown dramatically. We have seen the dramatic growth of fiber cement and prefinished sidings during the same period. These materials have allowed consumers a dramatically broader palette. Color availability and home shows touting curb appeal have whetted the consumer's appetite for more choices."

As well, vinyl remains a strong low-maintenance option, and LBM dealers and distributors need to keep it in mind when building their inventory and product offerings. "The opportunities for vinyl siding are tremendous in new homes as builders look at smaller footprints and more affordable options," says Booz. "It remains the most cost-effective and sustainable product on the market according to data released by the Vinyl Siding Institute, which positions us well with the Millennial homebuyer and homeowner. Vinyl siding is also the most cost-effective solution for homeowners and boasts one of the lowest life cycle costs (dollars and environmental impact) as compared with other siding products."

SUCCESS LIES WITH SOLUTIONS

Beyond understanding trends and consumer desires, it's more important than ever for LBM dealers and distributors to be able to provide creative solutions for their customers. With the difficulties presented by potential diminished product supply and a weakened workforce, it's vital for dealers to become information databases.

"Builders and contractors often see LBM dealers as experts and key advisors when they are purchasing trim and siding products," explains LP's Trinh Le. "They will look to them for information on anything from new products to product claims or warranties. In the end, they want to be confident in the product they are purchasing. Being armed with credible research



ABOVE: RISE Siding, available in 20' lengths, is a dense wood replacement product designed to be durable, affordable, sustainable, and higher-performing than wood, wood-based, and cement-based products.

ABOVE LEFT: CedarMAX insulated vinyl siding from ProVia is engineered with a rigid foam backing engineered to bridge the bows and dips that are present on almost every wall, thus making for longer, straighter panels and an increased curb appeal. According to ProVia, CedarMAX insulated vinyl siding offers five times greater impact resistance over hollow siding.

MIDDLE: LP's new SmartSide Outside Corner creates a sleek, polished corner look while eliminating the need to build corners during construction, thus contributing to jobsite efficiency, LP says. It's available with a cedar textured surface and in primed and 16 ExpertFinish colors.

LEFT: New from Derby Building Products is its Beach House Shake that features the company's 20-year Beautiful Freedom Warranty thanks to its new protective KAPGUARD with Kynar Coatings.

to support claims at point-of-sale can make all the difference when closing the deal."

For years, physical displays have been a mainstay of product information and a key method for conveying how a product will look once installed. But that was then—this is now. In addition to the tried and true, the successful LBM dealer will avail themselves of virtual tools to help impart product knowledge.

"Seeing is believing," says Boral's Drury. "Providing pro and DIY customers with the tools to see how products will look is important to help them make decisions and even try new products. This includes creating vignettes

and other physical displays as well as leveraging manufacturers' design tools. For example, Boral Building Products offers the Virtual Remodeler, an online tool that showcases how the home exterior will look with different profiles, textures, and colors of siding, trim, shutters, and other accessories."

Ralph Bruno, CEO of Derby Building Products, echoes Ben's thoughts on being able to show a customer how a product will look once installed. "We discovered that using visualization tools is a great way to sell when the pandemic has restricted in-person contact," he explains. "LBM dealers and their customers have relied more on virtual design tools and apps. ▶

For example, Tando's My Tando Home Creator is a free online tool that provides accurate visualization of home exteriors. The tool creates designs for TandoStone, Beach House Shake, and TandoShake. The visualizer allows contractors to narrow down product selection and close the sale with homeowners with minimal physical contact. Our free visualization tool offers QuickView for fast, and easy visualization. The program also features affordable professional design services, including 3D modeling and project measurements to provide accurate material takeoffs."

It's not as simple, however, to just show options and provide information. Ask the manufacturers, and they'll point out how important it is for the LBM dealer to deliver a strong and diverse product base that gives customers options. "Keeping inventory stocked, and offering higher-end

products like insulated siding, board and batten, shakes and scallops, and trending colors is the smart move," points out Jonathan Berry, siding sales director for ProVia. "And considering current circumstances, clear communication when it comes to product lead times, availability, and pricing is just as important."

Arcitell's Jeff Adams shares these sentiments. "In the next 12 months, LBM dealers need to have as much inventory as possible. I'm not saying that because I'm a manufacturer. I'm saying it because supply is short, and builders will be scrambling to find what they can. There is no better time to consider some of the new materials on the market, like Qora Cladding, where the supply is available. It is a great time to add new products to a dealer's line that they have not been able to touch before."

Because of these supply demands, it's vital that LBM dealers over-commu-

nicate when it comes to product availability and delivery expectations. "This is not a bubble, this is not a phase we are experiencing," says RoyOMartin's Vincent. "What we are experiencing is unprecedented demand coupled with a 10-year undersupplied market. Builders need to pre-order what they can; those who wait for prices to come down have lost contracts."

GAZING INTO THE CRYSTAL BALL

When looking at what the next year might deliver, it's a pretty sure bet demand is going to remain strong. All the manufacturers interviewed shared a positive outlook regarding what the market might hold. This isn't to say, however, that there aren't challenges. Steep increases in lumber prices combined with shortages in raw material and labor are hurdles siding and trim manufacturers are facing head on. "A shortage of raw materials globally has had an impact on delivery times and product availability," says Royal's Booz. "This has impacted every manufacturer across the industry. The demand continues to outpace the supply of products and that is also impacting pricing."

These challenges, however, also present opportunities. As Brett Collins, regional sales manager for UFP Industries, points out, "Many products are on allocation with the spike in the housing market during COVID-19, and alternative products have become more popular than ever to fill that void."

By all industry predictions, consumers' desires to improve their home's exteriors is not going to wane. Housing growth is expected to stay strong as well, and when coupled with the soaring remodeling market, the future looks bright for the siding and trim segment. "The building industry was already booming prior to the pandemic," says Carolina Colortones' Guy Campbell. "That hasn't changed at all in the last year." ■

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

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EACH MONTH, HUNDREDS OF PRODUCTS AND SERVICES VIE FOR INDUSTRY ATTENTION. HERE ARE SOME THAT OUR EDITORS THINK WILL INTEREST LBM JOURNAL READERS.

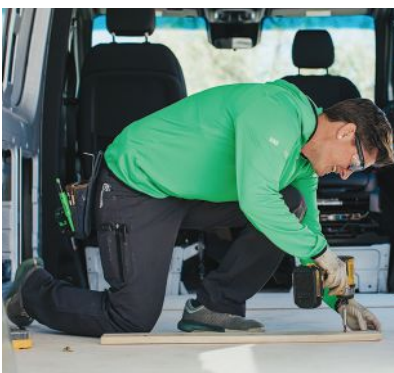
Pony Jorgensen's new cutting rail guide

The 50" Jorgensen cutting rail guide and 50" cutting guide extension rail allow for up to 100" of precise cutting. Made with heavy-duty rigid aluminum, the cutting rail guide clamps onto work surfaces and features a handle-locking mechanism and built-in ruler. The new series is best suited for use with jigsaws, circular saws, routers, and other portable power tools. ponyjorgensen.com



TrueWerk women's T2 Werkpant

Truewerk has released a line of work clothes for women including work pants, jackets, and shirts. The T2 Werkpant features technical fabrics selected to provide a broader range of stretch for every body type to create a fit that's fitted where it should be and gives everywhere else. The fabric is developed to repel stains, rain, snow, and wind, while double-stitch seams increase durability. T2 Werkpants include seven pockets including no-snag pen and knife pockets and hip and thigh stash pockets. truewerk.com

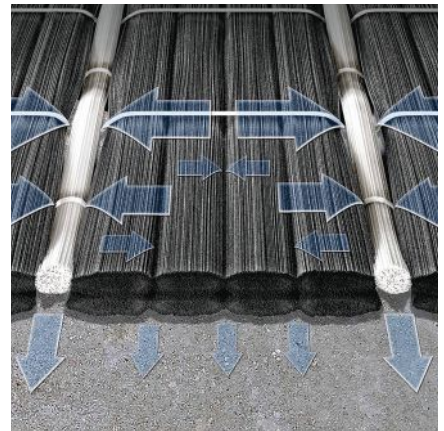


Paradigm Estimate

Paradigm Estimate was developed to help LBM dealers create accurate construction estimates with detailed material requirements. Paradigm Estimate allows users to upload a blueprint, and the software identifies all materials required to produce a building project quote. It also identifies blueprint discrepancies to ensure consistent, more accurate quotes. Paradigm Estimate is designed to allow users to manage multiple building projects, track progress, receive alerts, and easily access materials takeoff lists. myparadigm.com

Simpson Strong-Tie's carbon FRP fabric

The new 44-oz. CSS-CUCF44F carbon FRP fabric is the latest addition to Simpson Strong-Tie's family of Composite Strengthening Systems for the structural reinforcement and strengthening of concrete, masonry, and timber structures. Upgraded with new, flat-weave fiber technology, the 44-oz. fabric saturates as easily and quickly as lighter fabrics, which the manufacturer says significantly reduces installation time. Fiber-reinforced polymer (FRP) systems, created by combining carbon fabrics with a polymer material, are commonly used in concrete repair and restoration projects as a lightweight, high-strength reinforcement. The strength and performance of FRP systems have made them increasingly popular in construction and retrofit applications involving aging, damaged, or overloaded concrete structures. Simpson Strong-Tie's flat-weave technology incorporates a fiberglass cord in the FRP fabric to allow saturant to flow around fabric bundles, improving the overall absorption of the saturant. strongtie.com/css



CertainTeed Cedar Impressions

CertainTeed's Cedar Impressions Double 7" Straight Edge Perfection Shingles 3G (Third-Generation) are designed to capture the character and charm of rough-split cedar shakes with the long-lasting protection of polymer siding. Cedar Impressions is available in 22 colors, providing the versatility to design to any taste. Performance features include reinforced nail slots, a unique locking system to ensure a seamless appearance, and wind load protection. certainteed.com





LBM CENTURY CLUB HONORS 100-YEAR-OLD BUSINESSES

The LBM Century Club was founded on the simple belief that companies that have been around for 100 years deserve to be recognized. Launched in 2016, the LBM Century Club has grown to 171 members, with more coming in each month. In all, the companies have provided 21,501 years of combined service to their communities.

By no means does the LBM Journal's Century Club list include every 100-year-old company... at least not yet. That's where you come in. Do you work for, or know of a lumberyard or building materials retailer that is 100 or more years old? Send them our way, so that we can give them the recognition they deserve. Century Club members receive a certificate for their store, window decals for their front doors, free admission to the LBM Strategies Conference where they are guests of honor at a Century Club induction ceremony, as well as recognition in their local media, all free of charge. Nomination is easy! Just visit LBMJournal.com/nominate and answer a few questions. We'll take it from there. For a complete listing of LBM Century Club members, visit LBMJournal.com/century.

THE MOST RECENT INDUCTEES INTO THIS EXCLUSIVE CLUB INCLUDE:

HOLMAN SUPPLY COMPANY Moultrie, GA	est. 1920	BETHEL MILLS INC. Bethel, VT	est. 1781
LAMB LUMBER CO, INC. Lake Placid, NY	est. 1919	LELAND L. FISHER, INC. Rockville, MD	est. 1894
MARCUS LUMBER Marcus, IA	est. 1920	RUCKER LUMBER INC. Boston, NY	est. 1921
MCDOWELLS BUILDING MATERIALS Vinton, IA	est. 1864	ELLIOTT LUMBER, INC. Oxford, MS	est. 1917
OLDHAM LUMBER COMPANY INC. Dallas, TX	est. 1921	EJ STEPHENS COMPANY, INC. Albany, MS	est. 1902

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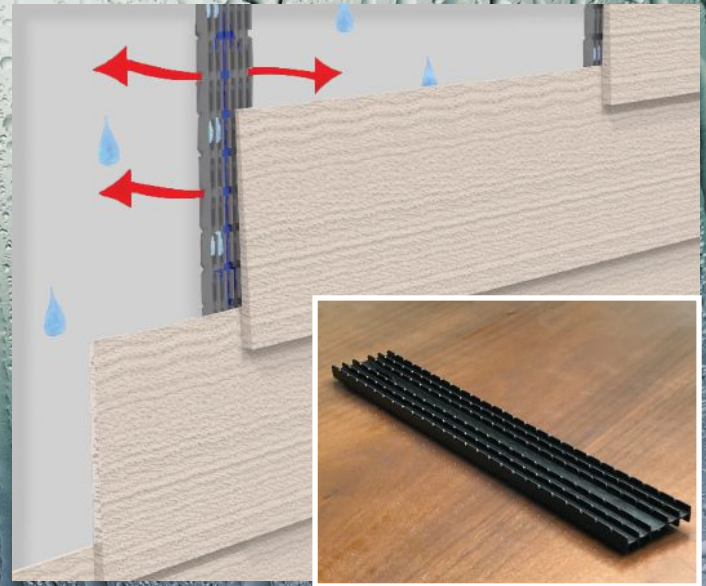
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RISE Siding, from RISE Building Products, is a synthetic siding product developed to look and work just like real wood. According to the manufacturer, it is the only exterior siding product available in a 20' length, which minimizes unsightly seams, and results in significantly less jobsite waste. RISE is available in a vertical wood grain finish, all the typical sizes needed to complete the exterior of a home, and is pre-finished in white, and seven other colors. RISE Siding is designed to outperform wood, OSB, and fiber cement products. risebuildingproducts.com



Tapcon concrete screw anchors

The new Tapcon Star Head recess helps eliminate bit slip during installation. With six points of contact between the bit and the anchor, the product is said to increase productivity, especially in high torque applications where Phillips bits are prone to slipping. The new Star Flat Head anchors come with a color-coded star drive bit in all large 75 pack and bucket offerings. This includes the T-25 Star bit for 3/16" diameter and T30 for 1/4" anchors. The Tapcon Hex Head concrete screw anchor features new underhead ribs that resist anchor spin outs and head snaps during installation. The underhead ribs are designed to limit over-torqueing of the anchor during installation, reducing re-work and increasing productivity. Tapcon's next generation screw anchors are available in 3/16" and 1/4" diameters in key sizes for most concrete fastening applications from 1-1/4" to 4" in length. They are available in small, medium, and large pack counts along with even larger buckets. tapcon.com



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Wolf Home Products Woodlands Collection

Part of the Wolf Trim product line, the Woodlands Collection features edge and center bead boards in four new colors designed to add a contrasting touch of warmth with a woodgrain texture. Available in the colors Ash, Cherry, Mahogany, and Silverado, the panels come tongue-and-groove for a hidden fastener installation. Due to its lightweight and high-cell density PVC, the Woodlands Collection is low-maintenance, the manufacturer says, and will not absorb moisture or swell, rot, split, or delaminate, making it ideal for a variety of climates. Each board measures 1/2" x 6" x 18'. No special tools are required for installation; the panels can be cut, drilled, mitered, nailed, or glued like wood. wolfhomeproducts.com



Bosch PROFACTOR 18V impact wrenches

The new 18V high-torque impact wrenches are built with high performance BITURBO Brushless technology, developed to deliver high power for tackling even the most brutal applications. The cordless PROFACTOR 18V 1/2" Impact Wrench with Friction Ring and PROFACTOR 18V 3/4" Impact Wrench with Friction Ring and Thru-Hole are designed for applications in carpentry, automotive, structural steel, industrial assembly, and more. The new impact wrenches feature BITURBO Brushless technology, a high-performance motor and drive-train system powered by CORE18V batteries. Both models are compatible and optimized for use with CORE18V 8.0ah PROFACTOR Performance and 12.0Ah PROFACTOR Exclusive batteries, and feature ergonomically designed soft grips and an onboard user interface to select between three torque/speed settings. core18v.boschtools.com



LBM JOURNAL
PODCASTS

RECRUIT + RETAIN

HOSTED BY
RIKKA BRANDON

On each episode of the LBM Journal Recruit + Retain Podcast, Rikka Brandon and a guest dive into what's working now in recruiting and retention, offering insight and actionable advice. Rikka is the leading recruiting and retention expert in the building products industry and founder of Recruit Retain Rock.

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Sales Manager of Jarco Supply

*"It's part of
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huddles."*

Rich Brady

President of American Cedar

*"There is no
question it works."*

Donn Merrick & Todd Callan

Homco Supply

Rick Davis

CSP, CDT

President



ESTATE TAXES AND YOUR BUSINESS

BY LEE RESNICK

Two years ago, when the Kansas City Chiefs won Super Bowl LIV, celebration ensued around Chiefs Kingdom. A season of excitement, challenges, and epic comebacks culminated with the ultimate prize.

What if your LBM business mirrored Kansas City's story, however, there wasn't a celebratory parade at the end?

The federal estate tax can be a parade stealer. As an LBM business owner, you can run your company and invariably experience highs, lows, challenges, and struggles and still come out on top—or think you have.

The federal estate tax was enacted in 1916, as a way to redistribute wealth in our country. There was a real concern that too few controlled too much of our country's wealth (sound familiar?) and via the federal estate tax, that wealth would be redistributed (taxed) upon the death of an individual.

What was once designed to zero in on the extreme elite, eventually became a tax on the "non-extreme elite." Although statistically, a very small percentage of U.S. citizens actually pay the estate tax, more landowners and business owners would be impacted by the estate tax, as their assets exceeded exemption amounts.

Today, in July 2021, those exemption amounts are the highest in our country's history. Under current law, however, those high levels (11.7m/person and 23.4m/married couple) will essentially be slashed in half on Jan. 1, 2026. This will increase taxes for some business owners and introduce a tax to others, who currently would not be taxed. For those over the exemption amount, the tax rate is 40%.

There is momentum building on expediting the reduction scheduled for Jan. 1, 2026, combined with a much lower exemption and higher tax rate.

The estate tax has always been fluid. Exemption levels have ebbed and flowed. For example, from 1987-1997, the exemption was \$600,000 with a top rate of 55%. In 2010, there was a one-year complete repeal (the federal estate tax has been repealed several times, and has always reappeared), and between 2011 and 2021, the exemption amount has gone up, while maintaining the 40% tax rate.

This alone can be confusing and it's just one of the many reasons why we always insist our LBM clients and the LBM business owner audiences we present to be proactive with their planning.

Like the fluidity of the history of the federal estate tax, owning a business in the LBM space can be similar. Some days may run smoothly, and others may include an unexpected list anywhere from one to 17 items that need to be addressed. You never can tell.

So many LBM business owners achieve personal financial success while also employing dozens, hundreds, or more. The LBM business owner makes a real difference in their communities and well beyond. All should be championed, but those that will be impacted by the federal estate tax may not have the championship parade at the end of the day.

If you're an LBM business owner and not fully aware of what's going on in the world of federal estate taxes, all the good that you've brought to your family, employees, and community may come to a screeching halt. A thriving LBM business one day could become the LBM business that is now up for sale at fire sale prices, resembling nothing of the true fair market value.

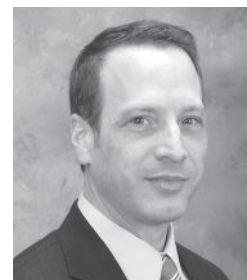
As part of the federal estate tax law, the estate tax is due within nine months after date of death of the business owner (or any U.S. citizen that owns assets that exceed the exemption amount). If married, the tax may be deferred until the second spouse passes away. Also, any assets left directly to a qualified charity will escape taxation.

If you own a business that you want to pass down to the next generation or other successors, you must be cognizant of the federal estate tax and the impending significant change.

If you sell your business during your lifetime, in addition to capital gains and other potential taxes, you must be cognizant of the federal estate tax and the impending significant change.

It's also critically important for LBM business owners to have the correct buy/sell agreements (if the business is owned by more than one party), estate planning documents and life insurance to coordinate with your business succession and estate planning goals. Simply wanting something to happen is insufficient. Intentions are great, but the tax man is stronger. ■

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



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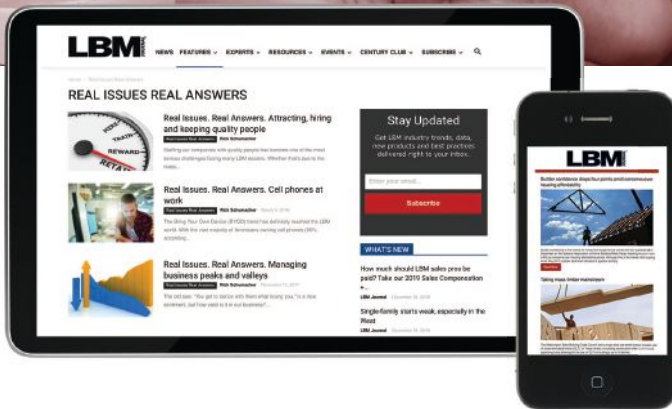
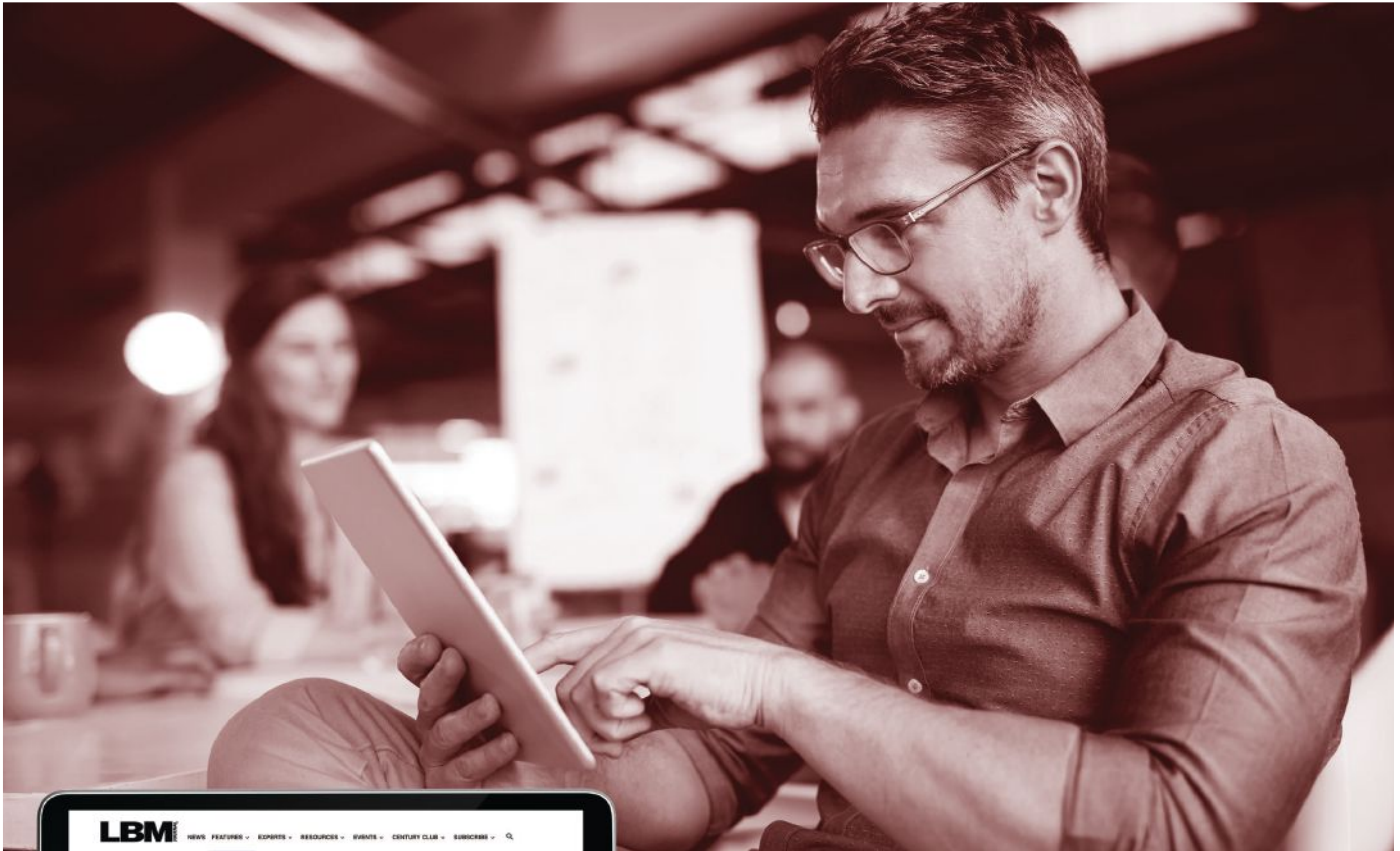
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*Denotes regional distribution.

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

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

THE LABOR/WAGE QUESTION

THE LABOR MARKET IS TIGHT, COMPETING EMPLOYERS ARE UPPING WAGES, AND YOU CAN'T FILL POSITIONS. WHAT WOULD YOU DO?

The summer of 2021 is playing out much as you'd anticipated: sales remain strong, and in many cases, demand for many materials continues to outpace supply. Thankfully, your team is doing an amazing job navigating this highly unusual situation, and your customers understand that the price hikes and shortages are out of your hands. Still, a fresh challenge moves to the front burner every day, and today's burning challenge involves bringing on more part-time help.

Traditionally, finding hourly workers during the summer months has never been a problem. Between high-school kids and college students wanting to earn as much as they can while school's out, you've never struggled to find enthusiastic, hard-working people to help out in the busy summer. But in this year, which is anything but traditional, even that's tough.

Since there are precious few applicants for cashiers and yard help, your HR director has been working hard to try to fill these unskilled, but still critically important, positions. So far, with little success. "We've always paid more than minimum wage for these positions, and never had a problem filling these spots. But the competition this year is fierce. The local grocery stores and big retailers are all paying at least \$15 an hour, which is well over our city's minimum wage of \$12.50," she explained. "The only solution I see is to offer even more, but then our part-time, hourly workers will be earning almost as much as some of our full-time folks."

You know that the labor market is tight, but you have a hard time justifying what you consider full-time wages for part-time positions. Yet your full-time crew is stretched thinner than ever. Up until now, they've been good sports about doing what needs to be done, but you don't know how long that will continue. You can't afford to burn them out, but you can't imagine paying nearly \$20/hour for a temporary job that requires little skill or training. What would you do?



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- **TRY HARDER.** Have your HR director work harder to fill these positions, including paying to boost the ads on social media, offering a cash bonus for referrals, etc.
- **JUST DO IT.** Accept reality and increase the part-timers' pay to whatever level you need it to be to get the quantity and quality of hourly workers you need.
- **DO IT YOURSELF.** Instead of giving in and throwing money at this problem, roll up your sleeves and do it yourself. Show your team that you're not above doing what's needed.
- **MORE OVERTIME.** Encourage your existing team members to earn extra money by working more overtime. They get to earn more, and the jobs get done right. Win-win.

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