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STRATEGIES FOR LUMBER/BUILDING MATERIAL DISTRIBUTION PROS

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JANUARY 2022 \$10 U.S.

DEALER OF THE YEAR 2022

ANNUAL SALES: \$100 MILLION +

SPAHN & ROSE

IN DEPTH:
THE BUILDING ENVELOPE
IN A CHALLENGING MARKET,
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LEAD DEMAND

REAL ISSUES. REAL ANSWERS.
UNEXPECTED PRICE INCREASES



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Executive Editor & Publisher

Rick Schumacher
Rick@LBMJournal.com

Editor

James Anderson
James@LBMJournal.com

Creative Director

Richard Hart
Design@LBMJournal.com

Contributing Sales Editor

Rick Davis

Contributors

Mike Berger, Rikka Brandon, Thea Dudley,
Russ Kathrein, Bill Lee, Shane Soule,
John Wagner

Controller

Nancy Frazer
Nancy@LBMJournal.com

Director of Operations

Michelle Fischer
Operations@LBMJournal.com

Administrative Coordinator

Tina Saucke
Tina@LBMJournal.com

Circulation Director

Vicki Blomquist
Vicki@LBMJournal.com

ADVERTISING SALES

NORTHEAST & SOUTHEAST
Jodie Cook Redwood
Jodie@LBMJournal.com
Ph: 800.324.3492 Fax: 952.892.7816

CENTRAL & WEST
Michele Randazzo
Michele@LBMJournal.com
Ph: 904.310.9540 Fax: 952.892.7816

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Got challenges?

EVERY MONTH, as part of our Real Issues survey, we ask members of the LBM community to share a business challenge that they're wrestling with. This month, one reader wrote:

"Do you mean besides labor shortages, outages on common inventory items, far out lead times, and large price increases, fuel price increases, lack of equipment to purchase for deliveries? Other than that, it's just another day in the lumberyard!"

There's no shortage of challenges facing everyone in our industry. That's how it's been ever since I joined this community in 1990, though it seems that today's business issues are amplified. Indeed, there's no question that that many key challenges are amplified—labor shortages, inventory outages, price spikes, etc. But it's also true that the positives are amplified, too. Specifically, business is up...way up.

Every two years, we do a comprehensive survey of our audience to help give us a state of the industry view. According to the just-completed 2021 LBM Readership Study, 43% of respondents expected their 2021 sales to end up more than 20% higher than 2020. And 23% expected that figure to be 25% higher. That's big. Granted, the spiking commodity lumber and panel prices contributed heavily to that result. But even so, historically low interest rates have fueled a white-hot market for remodels and new homes.

The fact is, you and your team are doing more with less. Our small but fierce team at LBM Journal is right there with you, having finished 2021 with the strongest year in our history. As I write this in the waning days of December, we're doing the same as many of you: leveraging robust technology tools that will help us work better, smarter, and faster. Specifically, we're pulling the trigger on a software platform that is lightyears ahead of the system we've outgrown.

As we turn the page on 2021 and go boldly into 2022, no one knows what fresh (or freshly amplified) challenges we'll encounter. But here's what I do know. We're all a part of an incredible LBM community. I believe that there's nothing we can't accomplish together. The LBM Journal team is committed to connecting you with others, and to delivering the insights and information you need to drive your company forward. Thanks to support from our industry's manufacturers and service providers, nearly everything we do (print and digital magazine, robust website, webinars, podcasts, daily e-newsletter, etc.), costs you nothing.

Even though it's free to you doesn't mean it doesn't have tremendous value. Access to topic experts Rick Davis, Thea Dudley, Shane Soule, John Wagner, Russ Kathrein, Bill Lee, and Rikka Brandon. Expertly researched and written In Depth product features by Mike Berger. Insightful Dealer Profiles by our own James Anderson. While I may be biased, I believe that there is no set of business tools that can match what LBM Journal delivers. The icing on the cake: they're paid for by companies invested in your success. Like any tools, they only work when you put them to work.

Thank you for the opportunity to work together to build your sales, your business, and your brand.



Rick@LBMJournal.com

— Rick Schumacher
Executive Editor & Publisher



Congratulations to Spahn & Rose Lumber

From their partners at Epicor Software

LBM JOURNAL 
DEALER
OF THE YEAR **2022**
ANNUAL SALES: \$100 MILLION +

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LBM JOURNAL DEALER OF THE YEAR PROGRAM SPONSORED BY EPICOR

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Choosing the Right Fire-Retardant Wall Assembly: Increase Structural Safety and Durability, Decrease Spec and Approval Time

If your customers specify wall assemblies for multifamily and commercial structures or a custom home, fire-retardant lumber and plywood that meet or exceed all building code requirements and maintain the building's structural integrity are paramount.

There are ways to drastically increase structural safety and durability while significantly decreasing spec and approval time. But builders, architects, and specifiers need to be diligent from the onset of their projects by seeking companies that produce superior fire-retardant, pressure-treated wall assemblies.

Fire Performance Meets Structural Durability

ProWood® FR clearly had builders, architects, and specifiers in mind when they recently achieved UL Listing on a fire-retardant wall assembly—the ProWood FR UL V343 (UL 263 Listed). This wall assembly meets the highest available standard, carrying UL's FR-S designation, and is fully code compliant.

ProWood FR provides a system that reduces fuel contribution and heat release to slow the spread of flames while also minimizing potentially deadly smoke development. These distinctions can make your customer's projects more insurance friendly, and it can help save lives and property.

The structural durability of ProWood FR treated lumber and plywood has been verified by certified engineers according to the latest and most stringent versions of ASTM strength durability standards.

"We are thrilled to offer this new fire-retardant wall assembly worthy of UL's premium designation. As building code requirements continue to get more stringent around fire-retardant products for commercial and residential building applications, our strategic locations and growing capacity position us to meet the increased demand and necessity for these code-compliant products."

Ryan Kemp, Executive Vice President, ProWood

Building Code Compliant and UL Listed

The code-compliant ProWood FR V343 wall assembly is manufactured under the independent third-party inspection of Underwriters Laboratories Inc. (UL), the largest and oldest independent testing laboratory in the United States. The lumber and plywood used in the assembly bear a Class A Flame Spread Index of 25 or less, the best possible rating awarded to fire-retardant building products. Flame spread rating was achieved through ASTM E84 30-minute test and applies to ProWood FR lumber and plywood used in the V343 wall assembly.

ProWood FR pressure-treated lumber and plywood have also been tested by independent accredited laboratories, following industry standards ASTM D5564 and ASTM D5516, to develop strength design factors for various use conditions.

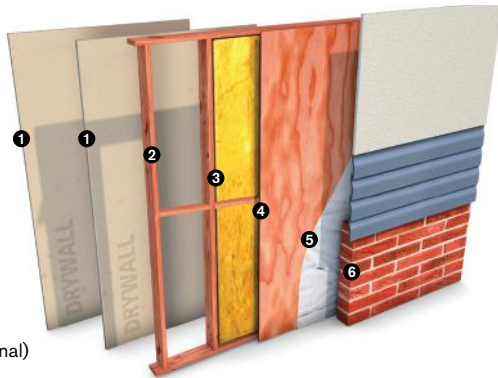


To learn more about ProWood FR fire-retardant pressure-treated lumber and plywood, go to ProWoodLumber.com/FR.

pro'wood[®]FR

FIRE RETARDANT

FIRE RETARDANT WALL ASSEMBLY NEW UL V343 2-HOUR



- 1 Drywall
- 2 ProWood FR Lumber
- 3 Insulation
- 4 ProWood FR Plywood
- 5 House Wrap (optional)
- 6 Exterior Facings (optional)

UL 263 LISTED

Max. Tested Load

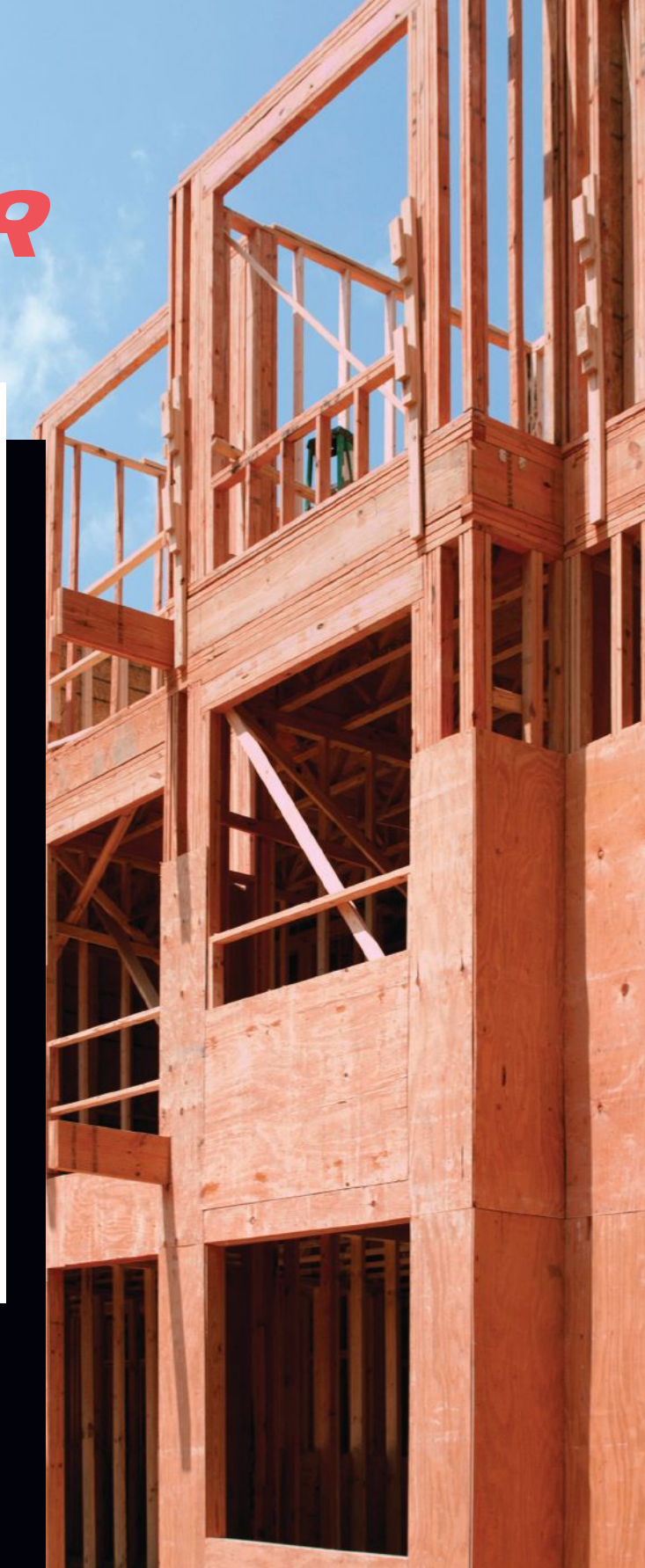
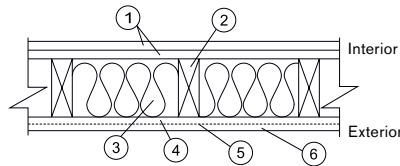
100% of Design Load

Fire Ratings

- 2 hour rated wall assembly from wall interior
- 1 hour rated wall assembly from wall exterior when brick is exterior facing
- 2 Hour Fire Retardant Wall Assembly Now UL Listed

2 Hour Load Bearing Wall

- 2x4 construction at 16" oc
- 2x6 construction at 24" oc



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PLYWOOD | LUMBER | WALL ASSEMBLIES

Introducing the 2022 Dealers of the Year!

EACH MONTH in the *LBM Journal* we have the privilege of showcasing the success story of an independent lumber dealer. The story ideas come from dealers who the magazine staff meet via phone or email, or in person at conferences such as LBM Strategies and the International Builders' Show. In recent years, the story suggestions have also come via an online nomination form in which company owners, staff members, and customers have nominated who they feel is the best lumber and building materials retailer in one of four revenue categories.

Starting with this issue and continuing through April, we'll feature the 2022 Dealers of the Year, selected from entries from around the country. As we do each month, we'll aim to provide an inside look at what makes these businesses successful, and how some of what they're doing can potentially help you in your own business as well.

This month, you'll see how Spahn & Rose of Decorah, Iowa built a strong team of executives with the ability to implement systems that provide them with data necessary to grow their business, recently expanding operations into Wisconsin and Georgia.

In coming months, you'll see how other dealers of varying sizes and markets have excelled in ways that have grown and improved

their company's bottom lines and improved the lives of staff and customers alike. Here's what to expect in the coming months:

This issue winner in the category of
\$100 Million + Annual Sales:
Spahn & Rose, Dubuque, Iowa

February
\$50 Million to \$100 Million Annual Sales:
Raks Building Supply, Los Lunas, New Mexico

March
\$10 Million to \$50 Million Annual Sales:
Capital Lumber Company,
Cheyenne, Wyoming

April
Under \$10 Million Annual Sales:
TK Building Supply, Windsor, Missouri

Thank you to everyone who submitted a nomination to the Dealer of the Year program. We've been honoring independent lumber dealers in this fashion since 2005, and this year's selection process was one of the most difficult yet. Congratulations to all the winners. I look forward to sharing their stories with our readers in the months to come.

— James Anderson
Editor



A handwritten signature in black ink that reads "James Anderson".

james@LBMJournal.com

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UPDATES

PEOPLE

SPAX engineered fasteners has hired **Henry Canales** as a regional sales manager located in Florida.

Jason Flack has joined **Cornerstone Building Brands** to lead Stone Solutions.

Lloyd Sherwood has been named general manager for the **Luxwood Corporation**.

Superior Plastic Products and Key-Link Fencing & Railing hired **Andrew Lebo** as business development manager, and **Andrew Smucker** as regional sales manager.

Aaron Howald is now vice president, Investor Relations and Business Development and **Craig Miles** is vice president, National Sales, OSB Marketing and Planning at **LP Building Solutions**.

Stephen Coan has joined **MAX USA** as a national account executive. **Adam Persiano** is west/northeast regional sales associate.

Vernon J. Nagel and **Natasha Li** have joined **AZEK's** Board of Directors.

INDUSTRY

Epicor announced partnerships with **Buildxact** and **Geotab** at its annual Insights event attended by more than 600 LBM pros in November.

Trex expects to invest an estimated \$400 million over the next five years in the development of a site in Arkansas.

Simpson Strong-Tie has launched a trades support program with **Habitat for Humanity**.

DW Distribution has named **GAF** as 2021 DW Vendor of the Year.

DISTRIBUTION

Boise Cascade plans a new distribution center in Marion, Ohio.

BlueLinx will distribute **Digger Specialties** railing and lighting in the South Central and Southeast markets.

Wolf Home Products will now distribute in Illinois, Minnesota, and parts of Indiana and Wisconsin.

International Wood Products has announced the opening of a new distribution facility in Post Falls, Idaho.

Envision expands distribution through **Prince Building Systems**.



HENRY CANALES



JASON FLACK



LLOYD SHERWOOD



EMILY VELLA

Parksite has announced the opening of a new distribution facility in East Windsor, Connecticut.

Palmer-Donavin has moved into a new 200,000 sq. ft. facility in Hebron, Kentucky.

MoistureShield has expanded distribution in Pacific Northwest, Alaska, and Hawaii.

ASSOCIATIONS

Scott Flynn of **rk MILES** named **Vermont Retail Lumber Dealer Association** Lumber Person of the Year.

Emily Vella, regional Formica product manager at **Atlantic Plywood**, has been named president of the 2022 **North American Building Material Distribution Association**.

Massachusetts Retail Lumber Association has awarded Jack Stevenson of **Mid-Cape Home Centers** Lumber Person of the Year.

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

BUILDER CONFIDENCE RIDES STRONG DEMAND AS SUPPLY SIDE CHALLENGES PERSIST

Low existing inventories and strong buyer demand helped push builder confidence higher for the third consecutive month even as supply-side challenges—including building material bottlenecks and lot and labor shortages—remain stubbornly persistent. Builder confidence in the market for newly built single-family homes moved three points higher to 83 in November, according to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI).

“The solid market for home building continued in November despite ongoing supply-side challenges,” said NAHB Chairman Chuck Fowke. “Lack of resale inventory combined with strong consumer demand continues to boost single-family home building.”

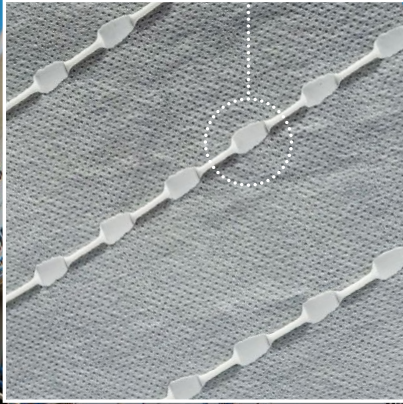
“In addition to well publicized concerns over building materials and the national supply chain, labor and building lot access are key constraints for housing supply,” said NAHB Chief Economist Robert Dietz. “Lot availability is at multi-decade lows and the construction industry currently has more than 330,000 open positions. Policymakers need to focus on resolving these issues to help builders produce more housing to meet strong market demand.”

Derived from a monthly survey that NAHB has been conducting for 35 years, the NAHB/Wells Fargo HMI gauges builder confidence in current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor.” The survey also asks builders to rate traffic of prospective buyers as “high to very high,” “average” or “low to very low.” Scores for each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view conditions as good than poor.

The HMI index gauging current sales conditions rose three points to 89 and the gauge charting traffic of prospective buyers also posted a three-point gain to 68. The component measuring sales expectations in the next six months held steady at 84.

Looking at the three-month moving averages for regional HMI scores, the Midwest rose four points to 72, the South registered a four-point gain to 84 and the West rose one point to 84. The Northeast fell two points to 70.

1.5 mm non-compressible spacers
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This unique moisture management product combines a high performance water-resistive barrier (WRB), with a unique drainage pattern using 1.5 mm thick non-compressible filaments. Its unique design can remove 100 times more bulk water from a wall versus standard wraps.



UPDATES

CO-OPS & BUYING GROUPS

Orgill's Tifton, Georgia, distribution center celebrated its 25th anniversary last fall.

Orgill has announced that it has reached the one million item milestone in its eCommerce database.

For the first time in almost two years, **LMC** hosted its network of dealers, suppliers, and the LMC team in person at the 2021 LMC EXPO in November.

MERGERS & ACQUISITIONS

Specialty Building Products has acquired Florida distributor **Millwork Sales**.

Great Southern Wood Preserving has announced that a subsidiary has acquired the assets of **Escue Wood Preserving** of Millwood, Kentucky.

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

UPCOMING EVENTS

FEB 1-2 NORTHWESTERN LUMBER ASSOCIATION (NLA) EXPO NEBRASKA
La Vista, NE | nlassn.org

FEB 2-3 BUILDING MATERIAL SUPPLIERS ASSOCIATION LEARNING EXCHANGE & EXPO
Hickory, NC | mybmsa.org

FEB 3-4 NORTHWESTERN LUMBER ASSOCIATION (NLA) EXPO IOWA
West Des Moines, IA | nlassn.org

FEB 8-10 INTERNATIONAL BUILDERS SHOW
Orlando, FL | buildersshow.com

FEB 11-14 DO IT BEST SPRING MARKET
Indianapolis, IN | doitbestonline.com

FEB 21-23 LBM ADVANTAGE 2022 ANNUAL BUYING SHOW
Kissimmee, FL | lbmadvantage.com

FEB 24-26 ORGILL 2022 DEALER MARKET
Orlando, FL | orgill.com

MAR 7-8 NORTHWESTERN LUMBER ASSOCIATION (NLA) EXPO NORTH
St. Cloud, MN | nlassn.org

MAR 10-11 EMERY JENSEN EDGE
Las Vegas, NV | mcisemi.com/ejds2022/

MAR 23-25 LMC ANNUAL MEETING
Tampa, FL | lmc.net

TOUGH CALL ANSWERS

ANSWERS TO OUR OCTOBER TOUGH CALL SURVEY:

JOB PLANNING 101

SOME OF YOUR LESS-THAN-ORGANIZED BUILDER CUSTOMERS ARE FRUSTRATED THAT THEY CAN'T GET THE MATERIALS THEY WANT WHEN THEY WANT THEM. HERE'S HOW READERS WOULD GET THEM TO START PLANNING.



SURVEY RESULTS FROM LBMJOURNAL.COM

24%
SHOW & TELL. Without using names, show how much faster a similar sized builder is completing the same type of projects. The only difference: they work with you to plan their jobs.

25.3%
MONEY TALKS. Ask if they'd be interested in earning more money without working any harder. When they answer yes, talk about how basic job planning can help them complete more jobs with less stress.

36%
DRILL DOWN. Away from the jobsite, over a coffee or a cola, sit down and learn what they hope to accomplish. If they want to grow their business, you have the answer.

14.7%
LEAVE IT BE. You're their material supplier. Not their coach, or their boss. Let them do business as they choose, and be happy that they choose to buy their materials from you.

PERMITS SHOW SUBURBAN SHIFT MAY BE SLOWING

The suburban shift for single-family home buying precipitated in large part by the onset of the COVID-19 pandemic last year continues, but new data reveals that higher density markets are making a comeback as well. In contrast, the market share for multifamily construction shows a significant increase in smaller cities and rural areas while the pace of new permits is easing in larger metropolitan markets.

These are among the findings of the third quarter National Association of Home Builders (NAHB) Home Building Geography Index (HBGI). The HBGI also reveals that permits are running strong in counties with a high concentration of second homes.

HOME BUILDERS STILL FAR FROM CATCHING UP DURING CONSTRUCTION BOOM

A new Zillow analysis shows how far builders still have to go to fill a 1.35 million new-home construction shortfall caused by a decade of underbuilding.

New-home construction in the U.S. reached an important benchmark last February, when more than 1.5 million residential building permits were issued over the prior 12 months. This level of activity indicates a housing boom that hasn't been seen since August 2007. The momentum continued through the summer, reaching 1.69 million permits in the year ending in August. This building boom has drawn comparisons

to the glut that characterized the Great Recession, but in truth, builders are only beginning to fill the hole of unmet demand that was dug in the fallout from the mid-2000s housing bust.

"Builders in recent months have put the pedal to the metal to get new homes up and meet a rush of demand, and we just saw the first full year of above-average construction since the mid-2000s housing crash," says Zillow senior economist Jeff Tucker. "This isn't a new boom cycle of new construction so much as it's an attempt to get even from the last bust. There is still a long

way to go to catch up from more than a decade of slow construction, and some markets have longer to go than others."

Comparing new construction to population growth, Zillow estimates that since 2008, there has been a shortfall of 1.35 million homes in just the 35 largest U.S. metros. That is, there would have been 1.35 million more new single-family construction permits handed out if they had kept up with population growth at the same rate as they did between 1985 and 2000. At the current pace of permitting, that shortfall is as if no homes at all were built for 2.7 years.

LUMBER PRICES RISE AGAIN

Lumber prices were above \$1,000 in mid-December for the first time since early summer as a hot housing market continued to drive demand.

According to Markets Insider, lumber prices are up 127% from its most recent low. With demand high and supplies low, record low interest rates still drive homeowners to the market, so much that builders are struggling to keep up.

Volatility in the market has been exacerbated, Markets Insider reports, by recent floods in Canada, continued demand for homes in the US, and a dwindling supply of single-family homes available for sale. The COVID-19 pandemic has kept mortgage rate increases small, thereby strengthening borrowers' purchasing power, while at the same time an aging millennial population is steadily graduating from student debt to mortgage debt.

A tariff hike on Canadian softwood has contributed to the price increase, Globest.com says. Last month the U.S. Dept. of Commerce announced a near doubling tariffs on Canadian lumber shipments from 9% to 17.9%, a move that National Association of Home Builders Chairman Chuck Fowke called, "a gut punch to American home buyers."

There may be better news on the horizon, however. Markets Insider quotes TradeStation's David Russel saying that he expects a normalization in prices.

"This is the aftershock of that huge earthquake," Russell told Insider, referring to the spring price rally. "After this, we will see the volatility decrease and things will start to stabilize."



FOREST PRODUCTS GROUPS APPLAUD BIDEN'S SUSTAINABILITY ORDER

The American Wood Council, National Alliance of Forest Owners, and South-eastern Lumber Manufacturers Association issued a joint statement on President Biden's Executive Order, Catalyzing America's Clean Energy Economy Through Federal Sustainability.

"We applaud the president for harnessing the federal government to lead the way in transforming the built environment to net-zero. The materials used to construct buildings account for 27% of total building emissions, according to the United Nations, and lowering the carbon footprint in buildings, construction, and renovations is critical to meeting climate goals. We can significantly cut the carbon footprint of the traditional built environment by expanding wood use and substituting traditional building materials with wood products, including mass timber—leveraging the carbon benefits of our nation's forests into our buildings, communities, and cities.

Climate change presents a direct threat to infrastructure, supply chains, financial investments, and the U.S. economy, the groups issued in a joint statement. Governmental procurement practices can mitigate those risks by creating climate-resilient infrastructure, bolstering domestic supply chains, and expanding carbon sequestration...Increasing procurement of wood products addresses each of these challenges.

SINGLE-FAMILY HOME SIZES TRENDING LARGER

A report from the National Association of Home Builders details how COVID-19 has impacted the way many residents use their homes. More homeowners are looking for increased space to accommodate added functions such as working from and/or studying at home.

According to third quarter 2021 data from the Census Quarterly Starts and Completions by Purpose and Design and NAHB analysis, median single-family square floor area increased to 2,337 square feet, while average square footage for new single-family homes increased to 2,541. These metrics have increased 9.3% and 6.2%, respectively, since Great Recession lows.

BY THE YARD NEWS FROM LUMBERYARDS AROUND THE COUNTRY

R.P. LUMBER ACQUIRES LONGTIME COMPETITOR ALEXANDER LUMBER

Based in Aurora, Illinois, Alexander Lumber is a 130-year-old family-owned company operating locations in Illinois, Wisconsin, and Iowa. R.P. Lumber also opened a new location in Poplar Bluff, Missouri.

KODIAK BUILDING PARTNERS ACQUIRES SHEPLEY WOOD PRODUCTS

Tony Shepley will remain the president of Shepley Wood Products, which will join the Retail Lumber and Gypsum Group of Kodiak and will report to Pat Flood, executive vice president of the Kodiak segment.

MID-CAPE TAKES HOME AWARDS FROM BUILDERS & REMODELERS ASSOCIATION

Mid-Cape Home Centers has again earned multiple awards from the Builders & Remodelers Association of Greater Boston 2021 PRISM Award Gala. Mid-Cape took honors in several categories including Community Spirit and Best Event, which celebrated the company's 125th anniversary.

NATION'S BEST ACQUIRES CRAFTY BEAVER HOME CENTERS

Nation's Best added to its growth in 2021 with the addition of Crafty Beaver Home Centers, with three locations in the Chicago metro area.

US LBM ACQUISITIONS

US LBM fall acquisitions include: BuilderUp, a regional building products distributor and manufacturer serving customers throughout Maryland, Northern Virginia, and the Washington, D.C. area; Arrowhead Stairs & Trim in Texas; Barrons, which operates two facilities in the Washington, D.C. area; and Professional Builders Supply, with 12 locations in the Carolinas. US LBM also opened a new Universal Supply location in Millsboro, Delaware.

US LBM FOUNDATION COMMITS \$100,000 TO HOUSING FOR WOUNDED VETERANS

The nonprofit organization founded by US LBM has committed \$100,000 to the Gary Sinise Foundation's R.I.S.E. (Restoring Independence, Supporting Empowerment) Program, which builds mortgage-free, specially adapted smart homes for our nation's most severely wounded heroes.

RAY GABRIEL NAMED VP OF INFORMATION SERVICES AT MCCOY'S BUILDING SUPPLY

Gabriel began his career at McCoy's Building Supply as an assistant store manager before moving to headquarters and joining the IS Department.

COREY ELMORE NAMED REGIONAL MANAGER AT MCCOY'S

Elmore's first role 12 years ago was as part of the company's Management Development Program. Now he will oversee eight stores in south central Texas.

MANS LUMBER AND MILLWORK ACQUIRES DILLMAN & UPTON

The acquisition creates Michigan's largest family-owned provider of home improvement services and lumber and building materials.

84 LUMBER OPENS FIRST IDAHO LOCATION

Located in Meridian, Idaho, the retail store serves the Greater Boise area.

ROBOTS CHECKING INVENTORY AT BUSY BEAVER STORE

Multipurpose autonomous robots monitor on-shelf product availability and verify prices for more than 30,000 SKUs at Busy Beaver's Irwin, Pennsylvania location, freeing sales associates to spend more time with customers.

CONCORD LUMBER REBRANDS

Concord Lumber Corporation now operates under the corporate name of Concord Building & Design Center.

YOUR BUILDING CENTERS TO ACQUIRE ALLENSVILLE PLANING MILL

The acquisition will create new employee owners in Pennsylvania's Mifflin and Huntingdon Counties.

TALBERT BUILDING SUPPLY ACQUIRES POINDEXTER LUMBER COMPANY

The acquisition is the fifth Talbert branch, joining locations in Roxboro, Durham, and Asheboro, North Carolina, and Clarksville, Virginia.

NEW SOUTH CONSTRUCTION SUPPLY ACQUIRES INCRETE OF NORTH FLORIDA

This acquisition is New South Construction Supply's first location in Florida, where NSCS looks to do business with more companies in the state and also in the Caribbean.

SHORT & PAULK PROMOTES CHRIS GRADY TO PRESIDENT

Graddy joined the Short & Paulk team in 2005 at its Sylvester, Georgia location. He worked his way up through the company and most recently served as chief operations officer.

WARE-BUTLER BUILDING SUPPLY ACQUIRES CRESCENT LUMBER

The Crescent Lumber addition to the team brings the Ware-Butler Building Supply family up to 13 retail locations in Maine.

NEW HIRES AT RUSSIN

Russin has announced the hire of Kimberley Rodriguez and Brendan Carney to the company's outside sales team.

STINE WINS LOUISIANA SENATE RACE

Jeremy Stine, marketing director at Stine Home & Yard, has won the special election in Louisiana's 27th State Senate District.

WARNER ROBINS BUILDING SUPPLY ADDS TO MANAGEMENT TEAM

Building products and LBM operations leader Art Cassidy was named vice president of Operations and Purchasing. He will work closely with Director of Purchasing Clay Wilson. LBM finance executive Nick Witcher, who has been tapped to lead finance. Tawana Muhammad, a veteran HR leader, will be WRBS' senior human resources manager. Kathy Chamblee has been promoted to serve as WRBS' sales manager.

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Salespeople know they need to know more, but not all know how

BY BILL LEE

THE WAY YOUR COMPETITORS go to market and the way your salespeople respond to your competitors' pricing tactics have a lot to do with both the sales and the gross margin your salespeople can achieve. So you don't have to be a rocket scientist to realize that it takes more than salespeople getting "last look" to achieve the company's gross margin goals.

Few building supply businesses inventory a significant number of unique products; thus, one has to wonder why so many salespeople frequently get themselves into "lose/lose" pricing squabbles in an all-out search for pricing advantages. Competitiveness has as much, if not more, to do with the supplier's *service offerings* as it does with their product offerings.

Do you maintain a competitive service file (complete with photos) that lists your company's customer service policies, warehousing configurations, record tracking for on-time delivery practices, etc.? Can your salespeople articulate the tangible benefits their customers receive because of the methods your company uses to deliver specific material packages?

One of the ways savvy builders tell me they can spot building material salespeople who have the customer's best interests at heart is by paying attention to the way they direct their conversations on sales calls. They ask customers questions that sound a lot like these:

- "Why don't you let us give you a few prices on some of our most competitive product lines so you can get a feel for how effectively our company's buying programs benefit your company's ability to compete in a blowout construction economy?"
- "If you are willing to share the plans on some of the jobs your company is bidding with me, we could sit down together and come up with a pricing strategy, perhaps tied to some of the special buys we've been able to negotiate..."

Though there are still builders in every region of the country who attempt to buy and sell based on a pricing advantage, there are an increasing

number of builders who have learned to focus on quality and value to achieve an optimal level of profitability.

While one company's prices are clearly higher or lower than those quoted by a competitor, the service benefits one company offers over and above a competitor are not so easy to prove. A certain amount of research is typically needed to convince customers that they can reduce their construction costs by paying more for material.

To convince customers of the advantages your company offers as a result of your service superiority, measurements are usually necessary on the part of both the customer and the supplier. Examples are:

- What are the odds that the material will be on the job site by the time your salesperson promises it will be there?
- How likely is it that the material your driver delivers to the job site will be the same quantity and specification as listed on the customer's purchase order?

Let's face it, when the sub shows up on the job and the material is not what he needs to complete that job, there is no telling how many days the closing is going to be delayed. In the construction business—like most businesses—time is money.

So, what are the specific differences between your company's offerings and your competitor's offerings? How is your sales force different? What services does your company provide that your competitors do not? How does the talent of your sales force stack up to that of your competitors? What benefits does a builder receive when he does business with your company versus those of your competitors?

The answers to questions like the ones listed above should either position your company to better explain its competitive advantages or open your eyes to the challenges that your company must overcome in order to outshine the competition. ■



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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Some industry shifts are here to stay

BY RICK DAVIS

AT THE LBM Strategies conference this past fall, we had a great session; and if you missed it, I highly recommend you consider attending in 2022. I consider it by far the best event for any LBM industry leader serious about adapting to a changing world. I had the privilege of discussing industry climate change by reminding people like you that, if you haven't been paying attention, the only thing we've been dealing with is nothing more than a temporary weather pattern.

Weather and climate are different. Weather is the day-to-day changes in the atmosphere, and climate is the long-term change in the environment. To be sure, the weather has been awful. We've endured price fluctuations of biblical proportions, product scarcity, abundant demand, and (oh yeah!) a pandemic. The prevailing belief is that the economic storm has created new sales challenges. I would argue that it has, instead, revealed sales deficiencies.

Proper sales behavior means striving to hold your price, something that should be easy in the current seller's market, yet something that salespeople fail to manage. In all times, managing lead times is a vital skill for salespeople, but something that is more important now than ever. Ultimately, the weather will settle. Lead times, demand, and product availability will return to normal, while the climate will not.

The long-term shift in our industry is here to stay and the salespeople and leaders who miss it might later find themselves scrambling to catch up.

Climate change 1: An aging sales force. This is hardly news. Nevertheless, business leaders continually ask me if I know any good salespeople they can talk to for potential employment. The consistent answer is that great companies don't hire great salespeople; they build them. The solution for smart organizations is to hire young people with a planned track for growth

at the time of an offer. The growth plan entices the best talent and improves retention of young people who see a future of opportunity in the most stable of industries.

Climate change 2: Evolving technology. Many, of course, will read that comment and assert nothing new is being shared here. Technology has been evolving for decades of course; in this case, I'm referring to the customer interface. News headlines illustrate how companies are building online ordering mechanisms to streamline transactions. Everyone has been worried about the potential impact of Amazon, which is here already!

The Home Depot's acquisition of Builder-trend software signifies a big shift in sales strategy for the product supply giant. Other companies are tagging along with more making plans to jump in. This shift signifies the obvious trend of contractors and builders who want to price and order products online at the touch of a button, which leads to another climactic industry change.

Climate change 3: Sales as a business development role. Gone are the days when a salesperson needs to show up at an office or jobsite to write an order. The modern sales role is evolving from transactional placement to business development leader. I wrote in my inaugural articles for the *LBM Journal* about the role of a salesperson as the concierge business development expert. The best salespeople today recognize that the job is not to write orders, but to help contractors and builders make money.

It's obvious the world is changing, but easy to miss the long-term impact of an evolving world. The weather comes and goes but the economic climate is changing fast. The winners of tomorrow will be those who prepare for the changing environment today. ■

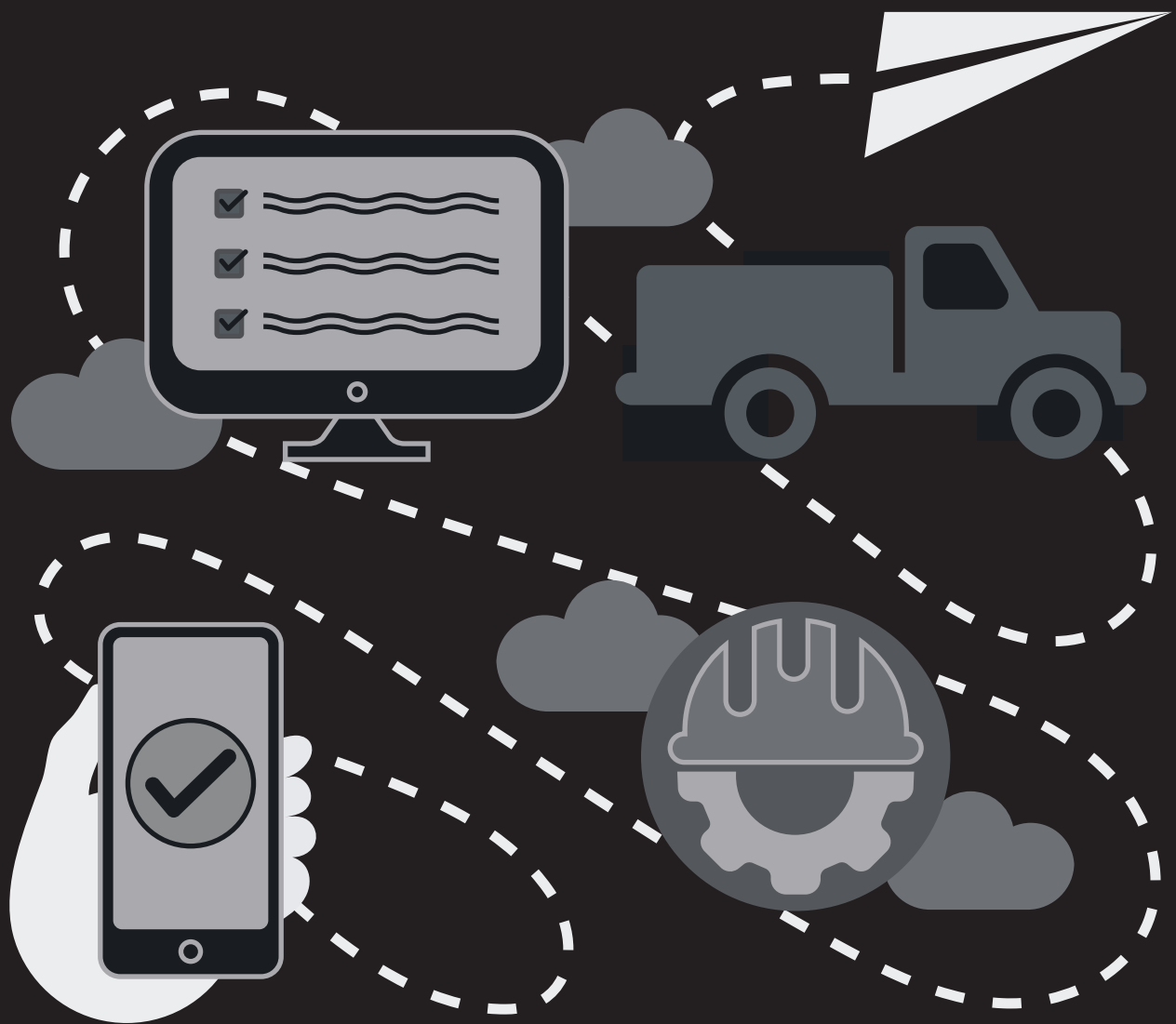


Rick Davis, president of Building Leaders, is a premier sales trainer in the building materials industry. His latest book, *Sales Economics: The Science of Selling*, is now available at buildingleaders.com. Rick can be reached at rickdavis@buildingleaders.com

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Keep things moving.

Hiring strategies for rural areas

BY RIKKA BRANDON

A LABOR SHORTAGE is difficult enough; but if your yard is in a rural area, you're likely feeling the pinch even more than dealers in urban and suburban settings. With a smaller pool to pull from, it's a constant challenge to fill the talent pipeline with qualified workers.

But there are a lot of reasons for workers to consider your lumberyard—and likely a lot more people for you to consider than you might realize.

Leverage your community: As a business owner in a small town, you're probably heavily involved with the community, whether serving on the Chamber of Commerce, providing meeting space for the Boy Scouts, or sponsoring the local softball team and homecoming float. Your commitment to supporting your community not only makes people want to shop with you, it can help define your company's culture and makes it attractive to prospective employees.

Make sure your community involvement is part of your sales pitch. And when you're out and about participating, don't pass up opportunities to network and size up potential team members.

Let go of small-town worries: It's a genuine concern that in small towns everyone knows everyone. That may make you hesitant to hire for fear of not wanting to let someone go if they don't work out. So it is a good idea to take care in who you hire—make sure they're the right fit, do a thorough background check, the works. But at some point you also have to let go of the fear and keep it from holding you back from expanding your staff.

And even if everyone knows everyone—you don't really know everybody. Don't give up before you start just because you think the pool is dry. And don't worry that hiring someone might mean they're leaving another local business. You're just showing them the path; it's up to them to take it.

Show and tell: In my recent podcast with Grant Leavitt, part owner of Marcus Lumber in Marcus, Iowa (population 1,100), he explained how you have to counter folks' built-in impression

that a lumberyard equals boring, that a small town equals no opportunity, and that a small company equals nowhere to go. "So if we can get them into our store, which we're very proud of, and get them to visit our website, which we're also very proud of, we can start to formulate the idea that this isn't just a mom-and-pop shop," Leavitt said.

The goal is to gain a first meeting at the store, an opportunity for a low-key conversation to learn more about the person as well as to sell them on the company, showing how it's progressive and a fun place to work.

And Marcus Lumber ensures the conversation continues. Before they leave, candidates receive a recruitment packet. The logo-ed folder includes employee testimonials, discussing why they like working there, customer testimonials, more information about the company, and an exploration of the company's culture.

Always be recruiting: Marcus Lumber uses traditional outlets such as LinkedIn and Facebook to advertise open positions, but also remains vigilant about making great connections and knowing who's out there. "It's never been more apparent to me that you must always be recruiting," Leavitt explained during the podcast.

For example, the dealer has relationships with nearby community colleges and trade schools. They also check in regularly with contractors and architecture customers, and they keep an eye on other retail outlets.

It's not necessarily about stealing others' employees, but making sure they're aware of your company for when they're ready for a change. The sweet spot, I like to say, is the semi-passive job seeker—someone who likes and is good at their current position, but is starting to get restless, perhaps because they feel they've outgrown their company, they want to stop traveling, or other factors.

A rural location doesn't have to be a detriment for a great company. Lean on your strengths, leverage your place in the community, and showcase your opportunities to build awareness and start building your talent funnel. ■



Rikka Brandon is a leading recruiter 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.

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The three A's of hiring

BY RUSS KATHREIN

EVERYONE, in just about every industry, is having trouble finding and hiring good employees. Every business owner and manager you talk to will say the same thing, “I just can’t find qualified associates.” When I hear someone say this, I come back and ask them what qualifications they’re looking for. The quality that I almost always hear first is, “I want someone with experience.” That desired experience might be industry-based, or possibly in sales or managing people. Sometimes desired experience centers around product knowledge.

Through a good portion of my career, I, too, felt the need to hire someone with experience, so they could get up and running quicker. The problem we encountered over and over was that to find an A player with experience, you usually had to hire a recruiter to find that person who was already working somewhere—and then you had to offer something enticing to get them to come work for you. In a down-to-flat market, that lure might be an opportunity or an interest in their professional development. But more often than not, and especially in our current market, in order to get people to leave a job where they’re successful, you had to throw money at them. The other alternative was to post the position and hope that someone with experience applied. If they did, these individuals often carried baggage or had their own quirks that put them in the position of looking for a job. Neither of these options are very desirable, and often don’t work out as planned.

So in consulting with others about our hiring challenge, we got some enlightening feedback and came to some realizations that made us ditch looking for that quick fix hire that would hopefully achieve immediate results. Instead, we started building our team from scratch by looking for people who demonstrated the Three A’s: **Attitude**, **Aptitude**, and **Altitude**.

Look, you can teach a new employee product knowledge. And you can teach someone about

your market, your industry, and your customer base. But when it comes to **Attitude**, you can’t teach someone how their thinking affects their behaviors.

Aptitude is defined as someone’s natural abilities to do things. Two of the key traits we look for in a candidate’s aptitude are getting “stuff” done, and intellectual curiosity. Many employees struggle to complete tasks in a timely manner or get a project over the finish line. You can ask a couple of simple questions during an interview to flesh out if the candidate is someone who is goal-oriented and likes to complete tasks. My personal favorite is finding people with intellectual curiosity. This can be in the form of someone who always wants to try the latest and greatest idea, piece of equipment, software, etc. This trait is especially critical if you want to hire someone for a technology position. Intellectual curiosity is also a trait of someone who keeps asking questions because they want to get better.

The third A, **Altitude**, was added by a friend who told me while she wanted to find employees with great instinctive behavior and abilities, she also wanted people who had the ability and potential to grow in a job and in their career. She wanted her people to all have a high degree of potential to the point that she was OK with having people work with her and then moving onto bigger and better things. In that way, she felt she would truly be exposed to excellent people who would not only do the job well, but would also make those around them better at their jobs.

So while we all want to be able to hire works of art that we only have to polish a little or position better, give some consideration to hiring some really good raw material, and then enjoy making your own works of art. It might take a little more time, but if you had started doing this two or three years ago, you would have a pretty substantial collection by now. ■



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



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Getting started in a lumberyard credit department

BY THEA DUDLEY

Dear Thea,
What is the best advice you have for someone who is relatively new to credit management in the building material space? Is there some magic bean to help me get a handle on my accounts receivable immediately? I started with a company that had no official credit person, so I am struggling on many levels. Any insight would be appreciated.

— New Girl in Nevada

Dear New Girl,

There are two words to learn about credit management in the LBM space: 1) Damage, 2) Mitigation. Damage mitigation is reducing the severity, seriousness, and pain of something. That something is your accounts receivable portfolio. Here are three things to do now:

1. Get ahead of it. Review your entire accounts receivable and break it into categories.

- High risk—these are the customers that are always squeaking by and likely to not make it.
- Moderate risk—runs slow but pays; will most likely make it through this.
- Lower risk—usually pays on time.
- Wild card accounts—tied to projects with lien or bond rights.

Create an action plan for each of these categories and have your leadership, credit, and sales teams all on board. There are absolutely going to be some bankruptcies and some projects that slide into litigation—we are already seeing it.

Make sure you have consistent messaging on how you are approaching your customers. Is everyone on your team on the same page with the same message? Are you prepared for the conversations? Discuss these messages with the credit and sales teams.

2. Don't lose your lien/bond rights.

- Serve your notices and bond claims and file your liens sooner rather than later. Get the requests to your lien service or attorney early so they can be submitted early.

- Some County Recorders offices still may not have resumed walk-in service but are processing e-recordings or mailed and overnighted service.

Your smartest route is to continue (or start) to preserve your lien rights, following up on suit deadlines and not waiting until the last minute. Time is not on your side with lien rights. Hold accounts to the credit line. If they're past due, then stop shipping until you have a solid plan in place for payment. Solid plans are not made of empty promises.

3. Own the communication. If you are waiting for customers to reach out, you will be waiting a while. You are likely not foremost on their minds, but you can make it better for you both.

- Set the tone. Be calm, confident, and know you can work through this.
- Avoid "free pass" phrases such as "don't worry about it." That is all the customer will hear. Everyone is under pressure and having challenges. You must have honest communication when dealing with the account.
- Listen to what the customer is saying. What is their plan? Be prepared to ask questions and sometimes point out the pitfalls in their plan.
- Pull the trigger on liens and bonds. The hold-up is usually fear of upsetting the customer and losing them. Understand if you lose your lien rights and have not been paid, your only recourse is to sue your customer and you lose them anyway. Explain to your customer why this is good for both of you.
- Have a toolbox. By having solutions and conversations with your customer, become a resource for them and help yourself get paid.

You can be understanding and empathic; but be smart about it. Think of customers like your kids. Sometimes it takes tough love to raise them right, and sometimes animals eat their young. ■



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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Mind the spread between OPEX and EBITDA

BY JOHN WAGNER

A (HYPOTHETICAL) Mr. Coyle started two identical lumber dealerships years ago in a thriving area of New England. When he retired, he gave one location to one son, named Mark, and one to another son, Chris.

For both locations, Coyle had kept the stores open on weekends as a convenience to the townspeople. But Mark, the older son, had always suspected that weekends barely broke even. For his location, Mark curtailed hours down to Monday through Friday. With that change, Mark also decided just to go for a pro sales focus, selling to his solid contractor base. Really pushing the experiment, he got rid of *all* his sales reps, along with the weekend counter help. In short, he went lean, *real* lean. With this business model, Mark understood that his gross processing margins would be lower to compete for the pro sales/contactor segment, but they would be met with lower and more-efficient operating expenses as a percent of sales.

He also integrated PlanSwift takeoff software with his estimators; and he educated his pro customers and his staff to create orders right off the customers' Bills of Material (BOM). Now Mark could go from BOM, to estimate, to purchase orders, while assigning orders to lots, dates, and drivers. He also focused on high-margin items to sell along with commodities: windows, millwork, and paint. Then he tracked key performance indicators to see if his gamble paid off, watching his pro sales dollars, GPMs, OPEX (operational expenditure) dollars, OPEX as a percent of sales, EBITDA dollars, and EBITDA as a percent of sales. We'll check back in with Mark in a minute.

Chris was the younger, ambitious brother. For his location, he stayed open on weekends, and expanded into specialty retail, with Halloween and Christmas lines, and even some grocery items. He not only kept his pro sales reps, but he added more, trying to pick up more remodeling work to supplement new construction. Since labor was tight, he gave truck allowances to lure in new sales reps, but then had to equalize those allowances with his other sales staff. More sales means more gross profit, which means more EBITDA, right? That was his logic,

initially. He too tracked OPEX dollars, OPEX as a percent of sales, EBITDA dollars, and EBITDA as a percent of sales.

When Mark took over his store, he was clear that he wanted to be a pro shop, not a retail or DIY store. His new KPIs proved him out: Weekends were a wash, unprofitable. With his new lean, pro/higher-margin posture, Mark saw his OPEX dollars decline, and every dollar lopped off OPEX went directly to EBITDA. He could even have fewer net sales than his brother Chris; however, since his OPEX as a percent of sales were much lower, he achieved higher EBITDA dollars than Chris, even if Mark handled fewer sales.

Although Chris wanted to straddle the two camps of pro dealer and retailer/DIY, he had quite a shock when he reviewed his OPEX and EBITDA numbers. His OPEX as a percent of sales were much higher than Mark's; his EBITDA margin was lower, and of course his EBITDA dollars suffered too, gobbled up by the OPEX expenditures required for his grand vision. The cost of his beefed-up pro customer sales team ate into his margins, as did his new remodeling sales team. Add to this, upon review, the labor costs *alone* for his Saturday and Sunday retail help made those two days break even, at best. Chris had a professional identity crisis—was he a pro dealer or a hybrid pro/DIY retailer? As he watched his bother Mark pack up his ski gear for weekends away, Chris fielded Saturday calls that the soft-serve machine was broken, and that a customer had flattened the Christmas tree display with her kid's stroller.

In the end, the net sales figure was not the only indicator Chris should have watched. Sure, it's nice to have cash flow. But it's the efficiency with which you manage gross profit dollars (moving them down through OPEX to the EBITDA line) that is really the mark of success. Plus, you'll have more gross profit dollars to work with, if you have high gross profit margin items, which result from the value-added things like millwork, windows, and paint.

There are a number of business-advice clichés we can derive from this tale, but let's start with this one: *Work smarter, not harder.* ■



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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Cost Accounting 301—The new math

BY SHANE SOULE

OUR INDUSTRY'S default process to grow profit has three very basic macro levers: “increase sales,” “increase margin,” or “cut costs.” I put those in quotes because there rarely is a *micro plan* for the *macro goal* which results in lower ROI than you might realize. Previously I've shared how to find your top and bottom 15% of profitable business. If you now focus on improving the least profitable 15% of customers, you can improve net profit up to 40% which is a much higher ROI on your investment.

Here are some tangible steps to turn the profitability of these relationships around.

NON-PROFITABLE CUSTOMERS (THE BOTTOM 15%)

Most of us look at volume, margin, and a “hassle factor” to rank our most valuable customers. When true costing identifies the least profitable customers, it requires you balance their willingness to pay with their cost to serve.

Lower their cost to serve: The lowest 15% are probably among the most disorganized. They likely require a lot of last minute, small orders that drive delivery costs per job higher than your other customers. These are not bad customers. These are customers you have not managed well to this point.

Approach them with the metrics you have gathered and explain to them the cost per hour your vehicles and operation use. Every customer is different, so engage them each with a customized plan to help them help you. Some areas of opportunity could be to:

- Combine deliveries of sections of homes.
- Plan credit pick-up on final delivery of the job.
- Work around shortages and add them to the next scheduled delivery.

If you offer free or discounted delivery, offer it for two to four deliveries to the job site, and then start accruing actual delivery costs (\$200 to \$500). Be sure to include credit pickups. It costs you the same delivery dollar whether you're dropping off or picking up.

Raise margin: Recognize you will have some customers who can't or won't drop their cost to serve. In that scenario you must raise margin.

Say goodbye: After working through 1 and 2, some customers fire themselves if they are unable to lower their cost to serve or increase their willingness to pay. They move their unprofitable business to your less savvy competitor who hasn't learned these lessons. You will increase profit by not wasting resources on them, and invest those resources on more profitable business. Meanwhile, the unprofitable former customers drag down your competition.

PROFITABLE CUSTOMERS (THE TOP 15%)

Just as important as it is to reverse unprofitable business, you must understand and love on your most profitable customers.

Why are they so profitable?: Is it a willingness to pay (high gross margin)? Or are they doing something so well that it allows them to lower their cost to serve. Could you recommend it to other customers?

Sell them more: You always want to sell your customers more, but increasing sales to your most profitable customers is always a win.

Help them grow: Are there areas where you can help them be more profitable or more organized so they can build more homes? Are there developers you could connect them with to help them get more opportunities to build more homes? This is one of the best investments of time and energy you can make, and its sure to increase their loyalty too.

The nice thing about automating your data is you will track improvements to your customers' profitability and simultaneously keep your top and bottom 15% list updated. With each success, you'll improve your approach and become even more confident in your ability to increase profits while identifying the good and bad fits within your book of business. ■



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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Price increases are bad enough when we know they're coming. It's much worse when the increases are unexpected. Unfortunately, given the realities of the supply chain, compounded with labor issues, pricing is far from stable. This month's Real Issues. Real Answers. question asks how your company is navigating...

UNEXPECTED PRICE INCREASES

BY LBM JOURNAL READERS

We asked our loyal readers who have opted in to receive our monthly Real Issues survey in their email inbox to weigh in. The first thing we asked is if our readers are currently satisfied with the level of communication from their vendors about supply issues and upcoming price increases. Well, vendors, as they say...you win some and you lose some. In this case, you've won exactly half. An even 50/50 split of respondents checked each box for that question, meaning half are satisfied and half are what savvy sales reps may call "opportunities for improvement."

Next, we asked survey respondents to weigh in on the question we received from our reader, which was:

“Our latest challenge is the constant change of prices from vendors, many without notification. Worst of all are the large increases—at times over 30%. I understand the supply chain and labor issues that are pushing prices up, but that doesn’t make it any easier to manage the uncertainty of when and how much our costs will rise. We’d love to hear how other companies are dealing with this issue.”

RESPONSES FROM LUMBERYARDS, BUILDING MATERIALS DEALERS, AND SPECIALTY DEALERS/DISTRIBUTORS:

“We have no choice but to pass the price increases on to the consumer. We do feel like the most recent price increases were not necessary as the manufacturers are catching up due to fewer orders, and the recent price increase was only to generate more orders in advance of the increase. Also, not all of the overhead door manufacturers had an increase as normally all of them do an increase at the same time.”

“The moral of the story is to be diversified with the people you buy from! Do not have all your eggs in one basket. When the supply side gets tight, vendors will cover their biggest customers first.”

“We are constantly asking about increases and for the most part, we get a pretty good heads-up. I agree that the Monday morning notification that prices went up on Friday prior is very frustrating. We have been trying to anticipate them on common items and buying 3-6 months’ worth to cover our customers as well as take advantage of any upticks in the market.”

“We will only hold pricing for five days.”

“Have not been quoting items that are hard to get. We tell customers what the price was when we last purchased the product and explain that cost will change, but we’re not sure how much. Most have been understanding.”

“We stay in constant communication with our vendors and our purchasing department. We try to understand the reason behind the increases to explain to our customers.”

“You need to be very consistent and constantly communicating with your customers, i.e. contractors with large on-going jobs, remodelers to estimate jobs, and homeowners to plan accordingly. This needs to be done through the appropriate salesperson. Only certain information should be released. More specific information can be shared internally but with strong confidentiality language. Constant updates allow the customer—regardless of type—to plan better, which will foster stronger relationships.”

“We are in contact with our suppliers daily and are changing our prices on a weekly basis. We maintain our margins and share the current prices with our customers via our outside and inside sales reps. Our bids are an estimate of products needed to build the house, etc. with current prices—not an actual framing list. We print on our estimates that prices are valid for seven business days. Once a builder starts a project, we hold pricing until the framing is complete with in 90 days.”

“Communicate with our customers and salespeople as often as possible so they are not surprised.”

“Stay in constant communication with your customers AND your employees. Let them know what is happening. I try to gauge upcoming projects as well and encourage purchasing material sooner rather than later. Ask for a deposit on the material to help with a potential increase in your inventory until the job ships. This has worked out very well for us and protected our customers from some of the increases that get sprung on us.”

“We are looking at pricing weekly, and some items daily, to keep up with the increased costs to make sure our current retail is at least covering tomorrow’s cost. It has been very difficult to keep up with, but we have schedules with different products to look at and see where the market is so that we don’t lose profits on the next purchase. Also, we are trying to keep up with market swings to try and buy when our guys are telling us it’s time to buy. We have been fortunate with good information from vendors and our own strategies to buy at the correct times. Taking time to study all aspects of the product is the key to making the best decision in this crazy market.”

“We strive to let our sales team know as much market info as possible in the simplest terms, then we ask them to quote defensively on special items that we don’t have in stock. Quotes are only valid for seven days and then we re-price them. It’s the same thing for customers. We give them the info and try to educate them about these challenges that are bigger than we can control.”

“We are taking payment up front on large construction projects — mostly for lumber packages. This protects the pricing and speeds up your cash flow. The big problem is engineered lumber and millwork. We are going to try to put more dollars into the truss and floor packages.”

“We express our displeasure, however there are few options available to us. Our goal is to always be a good partner, but that has to be mutual during the good and the bad times.”

“Our response to the current market has been holding all estimates for seven days only. We pass on all cost increases as they occur.”

“We have been getting unexpected price increases, but our vendors at least do their best to give us a heads-up, even if it’s with an email days before the increase. I understand the reason for some of the price increases and some, maybe all, are justified. But it sure seems like most manufacturers are bumping prices because they can. The argument will always be that they are not, but we know better. This false inflation and pumping prices just for another buck is creating an unsustainable bubble.”

“When we do quotes, we use all current pricing, but we also let our customers know that the prices could increase at any time, but we will let them know of significant changes.”

“I am not having this issue. It really depends on your vendor reps. We are getting emails from most of our reps plenty in advance of the increases. There have been a few times where we received an email stating ‘effective immediately’ though, and we just have to let out a few expletives and keep going. Unfortunately, it is what it is.”

“Very simply, we go up when we are notified of a price increase. The same for when the market goes down, we go down.”

“Prices are good for seven days. If the customer wants to guarantee the price, they should buy the product now. Trust me...if you buy products to cover your customer, pricing will drop and then the customer will look for cheaper prices.”

“For the most part, I am absorbing the cost even if I lose money.”

“Vendors do give notice regarding price increases. We may not like the frequency of the increases, time frame before increase takes effect, or the percentage of the increase, but we do get notified. If you are talking about commodities, they have been volatile for decades and dealers have always struggled with average cost versus replacement cost as well as price at time of shipment business models. I have never *not* received a price increase announcement from our key vendors, most generally in the form of an email. The real challenge these days is managing the time frame of quote to order on products that in the past did not experience the frequency of increases that we have experienced this past year. Once you are notified of a price increase, you have to review with your staff all open quotes for these products and update customers accordingly. I don’t think it requires putting the kind of expiration date on quotes that straight up commodities require, but it does demand a thoughtful approach to the process.”

“We have been very proactive in telling our customers that price changes are coming to us with no notice and that we have to pass them on.”

“Using a diverse supply chain has helped. We source from several suppliers for nearly all our products. That also means that we don’t always get the lowest price or most advantageous terms, but we do maintain a consistent business relationship with all our suppliers. It helps keep everyone honest. We also pay within terms so they like our business.”

“I am trying to treat my customers with the fairest (to them and to us) compromise that I can on things that have been quoted already. I am only holding quotes for one week and anything that has been rapidly escalating (like steel) comes with a warning that they really need to decide today if possible, so that we can get the order placed immediately. Otherwise, the price may go up, but worse, the product may no longer be available.”

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“We are now educators, more each day, to our customers regarding price increases. We proactively communicate any possible increases and act as the ‘buffer’ to the sticker shock when those increases are realized.”

“Maybe you should consider a different buying co-op that keeps you better updated on price increases. We were doing just-in-time deliveries for our in-store items, but have changed to buying what we can when the products are available due to supply and price increase issues. For the last four weeks we have 1,600 hardware items that have had price increases. Happily, we only have to change the bin tickets now and not re-sticker every item with the new price. The best part of all of this is that price has been removed from the decision-making process on a lot of things, so no matter what the price, products are still going to sell.”

“I purchase what I think we need at the first of the month. If we sell out of a particular item, I immediately put the new cost of that item in the computer and change my sell price right then and there. Also, we don’t quote anything longer than two weeks at this time.”

“I have seen nothing even close to that increase amount. We have a policy that requires all suppliers to inform us in writing of any increases no less than 30 days out. This allows us to shop the product around if needed, shop the competition, and execute retail changes in our multiple locations prior to taking the increase. We also push back a lot to stop or reduce the increases. Our volume helps with that.”

“Vendors are doing what they have to do, and customers keep buying. It’s frustrating, it’s a hassle, but it could be much worse.”

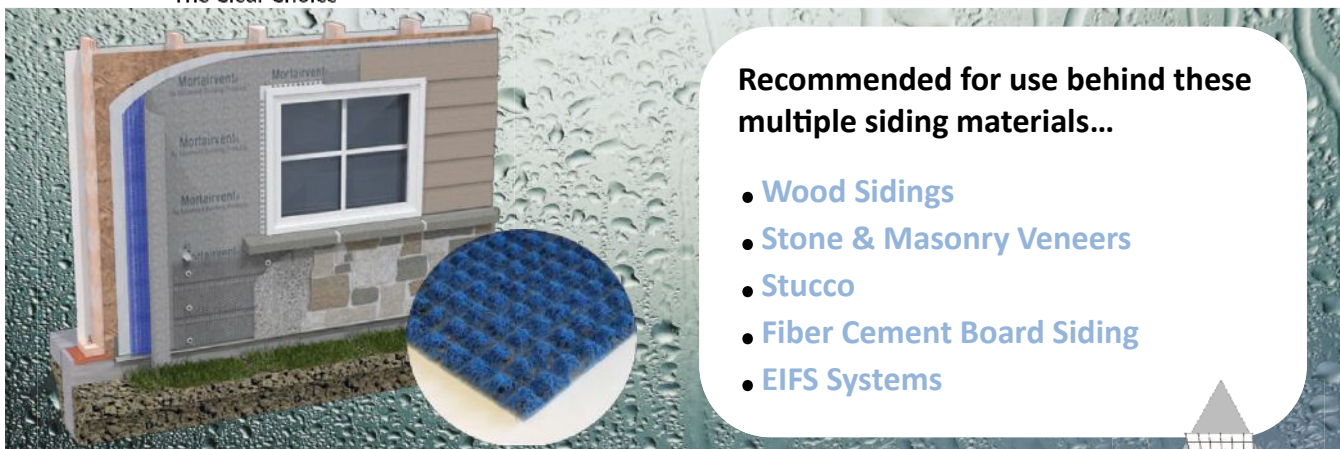
“We are doing our best to stay afloat and stay on top of retail prices when we are presented with increases. We also try to stay up with local competition, otherwise before we know it, a customer will come and wipe us out on something because we haven’t raised the price in time, or we are the only ones with the product. It has been a difficult, trying last two years, and I expect 2022 and beyond to continue to get worse.”

“Unfortunately, this is reality right now in the marketplace. We push back with vendors when we can and have to pass the higher costs onto our customers. One of our largest customers said vendors lost all credibility and any good will or relationships.”

“We’re just reacting as quickly as possible, but sadly, following the market and not being proactive.” ▶



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“Unfortunately, you need to pass price increases along to the end consumer. We are telling all customers that the original estimate is good for 30 days. Anything that is a special order that is not selected and ordered at that time is subject to change.”

“All you can do is increase your prices when they increase theirs. It’s not a popular decision, but a necessary evil.”

“After 40-plus years in this industry, I have never seen the increases this bad. I get on all my vendors, hard, for notification. Vendors know about these increases and seem reluctant to pass that info on. Like all people in sales, they hate to ask for more. I’m now asking them weekly about increases. With all the communication technology we have, they have no excuse. Just keep pushing them and get your prices adjusted. Good luck!”

“We require written notice (30 days) and a copy of the notice that we can pass along to our clients assuring them of all the issues coming up and that we need to respond accordingly, so they understand.”

“Our advice would be to stay as lean as possible. It is better to have something to offer, even at an outrageous price, rather than be completely out of stock and a competitor seizing the opportunity to gain market share.”

RESPONSES FROM WHOLESALE DISTRIBUTORS, MANUFACTURERS, AND SERVICE PROVIDERS:

“Sometimes you have no control; you have to pay if you need the product.”

“Establish who your most trusted vendors are and ask them to give you periodic updates on items most crucial to your business.”

“Go with the flow because it’s out of our control. We let customers know we will price the item when we know the cost, and we will add no higher than our standard margin. We’ll show the customer our cost if so required. If that’s not enough, we’ll tell the customer to buy elsewhere because we don’t want to disappoint them or give them unexpected bad news.”

“Fortunately (or unfortunately) we are in a strange time as ‘demand’ is at an all-time high. Between COVID-19, supply issues, and the extreme weather we dealt with last winter, we are in the midst of a perfect storm where we as a dealer/distributor make little, if any, impact. The newest prices are passed down from beginning to end. Our only hope is that freight prices will begin to decrease.”

“In most cases we are having to eat the increase due to our long order file.”

“From a dealer perspective, communicating with regular trade customers the nature of price/time of shipment should be an expectation moving forward. Also ensuring the trades are getting current pricing expectations rather than quoting from the hip or historical is a potential thoughtful way to help manage.”

“For the big vendors, suggest a monthly or quarterly 12-minute Zoom or phone call. During the call, let them know you’re working on your upcoming budget. Ask them if any price increases are pending in the next 30 to 90 days. If so, how much? Try to negotiate a gradual increase as opposed to an immediate 30% jump. Remember, negotiations take time. Keep emotion out of the conversation.”

“This is a tough one! We try to ‘listen’ to the non-verbal cues as well as the verbal to try and prepare with inventory so that we can meet our obligations.” ▶

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“Dealers have to move to PTS (Price at Time of Shipment) quotes for builders. The quotes should be good for 24 hours.”

“Unfortunately, most are passing the increases along as they receive them. As a family-owned business that is sensitive to the difficulties of price increasing and market competition of our distributors and dealers, we are doing the best we can to evaluate our product offerings, manufacturing processes, equipment, labor, etc. to find other ways to offset the increases we receive as best we can, so that we can minimize the size and frequency of increases.”

“These are tough, inflationary times. These issues and increases are happening up and down the supply chain. The reasons manufacturers are pushing along increases immediately is because they, too, are incurring the costs immediately from their manufacturers and vendors. We do not expect, nor ask, our customer to absorb them either and recommend that they should be passing them on immediately, as well.”

“Put some skin in the game. If we agree we could see a 20% increase before overhead and profit is tacked on, and it comes back at 30% at delivery, you eat 5%, I eat 5% and together we figure out what a fair overhead and profit markup is that gets carried to the client. Better yet, bring the client to the game up front and explain how the shell game works.”

“You need to be straight with your customers. You need to communicate often.”

“We have been mostly fortunate in this area, as we have received ample notice of increases. Way too often, we may all agree, but most are understandable. These constant changes put a high amount of stress on us to maintain our online pricing structure and costs to our dealer base.”

“Focus on your core business. We all know how volatile our industry can be. Your customers are more important right now than the markets. Take care of them first.”

“Be a good communicator even when others are not. Talk about estimated timeframes not exact timeframes.”

“Proactively visit with vendors weekly: (1) get info from them, (2) state your expectations, (3) ask what you can do to keep prices down and limit supply chain issues. Be a good customer to the vendor: (1) don't constantly beat them up over price, (2) communicate with them, (3) pay bills on time and take discounts if offered.”

“Commit now with vendors on part of next year's needs. Lock in a price. Suppliers have product at an old price, in theory, so take advantage before it goes up further. We have spring bookings for that fact. Inflation may cause a slowdown, but no one can predict the future. People still will upgrade their homes given the current real estate market.”

“We always issue Purchase Orders based upon Requests for Quotes (RFQ). The time between our RFQ and PO issuance is usually a couple of days, so we don't usually see quotes being countered. However, if a supplier counters us, we either eat the price increase or go back to our customer for the extra. Or we source another supplier with lower pricing. Otherwise, we expect (and ask for written confirmation of the PO/pricing from our supplier) which usually shuts the door on any further price/delivery discussions. As a wholesaler supplier, we are not quoting any jobs for pricing out more than three weeks, unless our supplier can guarantee that pricing for the period in question.”

“At this point in time large increases with no notice appears to be the norm. Inventory is key here... if you have some, you can manage the timing of passing along the price increase to your customers. If no inventory, then the supply chain is immediately hit all the way to the customer. This is not sustainable and will ultimately damage an excellent customer service approach.”

“Date quotes to expire sooner. Devote resources to staying in contact with suppliers continually.”

“This has unfortunately become the new way of doing business. Things that would have hurt your feelings a couple years ago are standard operating procedure today. Offering open, honest communication is all you can do. Understand what you can control and do your best with that.”

“These are certainly unprecedented times in our building products supply chain. I would advise any dealer to over-communicate with their customers regarding supply timeframes and pricing issues. Counsel your customers on the necessity to communicate pricing changes when quoting jobs in the field. These price increases are well past being absorbed within the supply chain concerning end user prices. Everyone needs to understand the volatility in pricing and if they aren't willing to pay extra, don't take the job.”

“Maintain inventory levels that allow you to average up the cost basis.”

“We expect vendors to honor the price of material when an order is placed and notify us as soon as any increases are coming. All vendors are increasing prices right now because they can. I'm not sure that they are all warranted.”

“Task someone with contacting key vendors weekly, if needed, to keep abreast of the changing dynamics that could impact your bottom-line so that you can share with your customers in real time. Your vendor's mistake doesn't have to become your mistake.”

“We give our customers a 30-day notice in advance of a price increase. Some larger distributors require a 60-day notice. Our typical price increases have been in the 3-7% range, depending on the exact product.” ■

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ON THE GROW.

Appearing above from left to right:

Brock Even, CFO; Brent Schneider, VP of Operations; Dave Davis, President & CEO; and Steven Parisee, VP of Sales & Marketing

Spahn & Rose Lumber Co. earns LBM Journal Dealer of the Year recognition

The Spahn & Rose Lumber Co. success story has been 118 years in the making. Through four generations of family ownership, they've steadily grown their business into a 24-location powerhouse, with lumberyards in Georgia, Illinois, Iowa and Wisconsin.

Their formula for success: Watch for new opportunities now, and build a team with an eye on the future.

While Spahn & Rose Lumber Co. already enjoyed a loyal base of professional customers, they seized the opportunity to tap into the booming DIY/homeowner market by adding an increased selection of hardlines, as well as kitchen design, doors, windows, siding, and millwork.

They rarely miss an opportunity to strengthen community relationships. Since 1950, the Spahn & Rose Charitable Foundation has contributed hundreds of thousands of dollars to elevate education and quality of life in every community they serve. They are intensely focused on promoting from within, identifying and cross-training high-potential associates and preparing them to lead the business forward.

A legacy of excellence, backed by a strong co-op partner, has built Spahn & Rose Lumber Co. into the first and best choice for the pros they serve.

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LBM JOURNAL'S 2022 DEALER OF THE YEAR AWARDS, sponsored by Epicor, recognize four LBM companies of different sizes that epitomize the entrepreneurial spirit. By our definition, a Dealer of the Year describes a company in which leadership excels at identifying underserved—or emerging—markets, satisfying customers, and constantly working to grow and improve business. While these companies represent vastly different operations, the common thread is their fierce commitment to finding ever-better ways to serve their customers and their communities.

SPAHN & ROSE

DURING THE COVID-19 pandemic, the term “working remotely” was ingrained into businesses around the world, even at local lumberyards, where previously the concept was rarely considered. But if there’s one thing businesses learned during the pandemic, it’s that the technology that was once on the horizon is now at our doorsteps. For a number of companies, that means the ability to expand operations is no longer limited by proximity to the main office. For Spahn & Rose of Dubuque, Iowa, that meant buying and operating a lumberyard 840 miles away in Marietta, Georgia.

Ask Spahn & Rose President Dave Davis what allowed the Iowa company to successfully complete the acquisition nearly on the other side of the country and he’ll tell you it was the management team. With the right people in the right roles, the company had the know-how to put the deal together.

“We’ve got the right people in the right places making good decisions,” Davis says. “And we have the data to support those decisions.”

IOWA GROWN

Davis is the eighth person to run Spahn & Rose since its founding in 1904, and just the second from outside a founder’s family. The legacy isn’t lost on Davis. At Spahn & Rose, the company history is saluted, and progress is celebrated. Take for instance the company website, which reads: *“When Spahn & Rose sold its first lumber, Theodore Roosevelt was president, Henry Ford set a new automobile land speed record of 91.37 miles per hour and Cy Young of the Boston Americans pitched baseball’s first perfect game.”*





The company's entrepreneurial spirit was established when C.J. Spahn and G.D. Rose, just 32 and 25 years old, respectively, founded Spahn & Rose 117 years ago. Throughout the company's history, it has nearly always been family owned and led. The previous president and CEO, while not a family member, had been a lifetime employee. He retired in 2016, and Davis was recruited from the hardware industry to lead the company in 2017. Davis says the combination of legacy family members and non-shareholders on the board of directors allows the company to make the best decisions for the future. ►

From left to right: Brock Even, CFO; Steven Parisee, VP of Sales & Marketing; Dave Davis, President & CEO; and Brent Schneider, VP of Operations.

Over time, Spahn & Rose has grown to include 23 locations, plus a distribution center and corporate headquarters, based in Dubuque. While Davis's background in retail includes 25 years at True Value, he wasn't brought aboard to expand into hardware. The company has remained dedicated to its core customers: contractors, builders, and remodelers, which make up around 90% of its customer base.

"We sell hardware, but only to the extent that it serves our core customer," Davis says. The only outlier may be the company's Dunn Lumber location in Lake Geneva, Wisconsin, which Spahn & Rose acquired in 2019. The store includes an 18,000 square-foot retail hardware and rental facility.

"We love our DIY customers, and we'll welcome them," Davis says, "but they're not our core customer."

FOUNDATION FOR GROWTH

Of the 325 team members currently on staff at Spahn & Rose, 25 are outside salespeople. In an area that covers most of Eastern Iowa as well as locations in Illinois and Wisconsin, the sales philosophy is to build topline business in the company's core markets. Success in these markets can be

Over time, Spahn & Rose has grown to include 23 locations, plus a distribution center and corporate headquarters, based in Dubuque. Contractors, builders, and remodelers, make up around 90% of its customer base.



attributed to the management group, Davis says, and the team's ability to make data-driven decisions that benefit the whole company.

"Epicor Bistrack gave us better control and visibility into what we do. It has allowed us to centralize processes, to take mundane tasks away from the yard and let the yards be more customer-focused," Davis says. "Once we did that, we were even more confident in our operations, and we could start to look at good opportunities for growth wherever they were."

With a handle on operations backed by a confidence in data, Davis says management was able to discuss what types of areas the company wanted to be in and which companies in those areas would be a good fit for the Spahn & Rose model.

The first acquisition under Davis's watch was Wisconsin's Dunn Lumber, a company even older than Spahn & Rose. The opportunity to implement Spahn & Rose's capabilities in the operations of a large hardware inventory and robust rental business was attractive to the management team, Davis says.

"The first thing we look at is if the target company shares our core values, and will it embrace our company culture. If not, we'll move on. We've had discussions with some profitable businesses that we've not gone through with because they weren't a good cultural fit."

DATA DRIVEN

It was the successful onboarding of Dunn Lumber that provided Davis and the Spahn & Rose team with the confidence that they could acquire a company anywhere in the country. No longer were they limited to a couple hours of drive time.

"We met Metro Building Products in Marietta, Georgia at the right time," Davis says. "Their owner was ready to retire. They really put their arms around us and embraced us."

When the Spahn & Rose team had developed the ability to manage data at its core locations, it wasn't a stretch to take those same practices to a market like Marietta, Georgia, serving more than one million people. Once you're able to analyze a lumberyard's inventory, customer, and sales data from a distance, remote operations simply aren't the challenge they once were, Davis says. "We've become a real data-driven company."



The data that drives the company has also driven up profits in recent years. While Spahn & Rose finished out 2020 at \$156 million in revenues, 2021 is shaping up to be about \$190 million, he says.

CHANGED BY COVID

While revenue increased during the COVID-19 pandemic, it didn't come easy for Spahn & Rose. "We're a business of people," Davis says. "Our people were affected. Our people hurt and we tried to give them everything we could at the time."

Davis says a strict adherence to CDC guidelines kept the company operating as consistently as possible. "In our mind it wasn't a political issue or a political question. It was a question of health and safety for our team and our customers. The pandemic has shown us how important it is to show respect to individuals."

Even after restrictions eased, Spahn & Rose, like many LBM dealers, faced challenges with materials and labor shortages. Davis says there aren't any issues at Spahn & Rose that aren't common in the industry.

"I had a mentor early in my career who said, 'There are always going to be issues in business. What matters is how you deal with them.' We deal with them by taking care of our customers. It has been, and continues to be, an all hands on deck situation," Davis says. "Life with customers has changed, and we try to be accommodating everywhere we can be."

The pandemic forced Spahn & Rose to focus more on its already strong online and social media presence, as well as move quickly toward technology on the marketing side of the business. "You have to ask, 'What do you learn from change that happens around you? What do you take away from it?'" Davis says.

The company sent a survey to customers asking for feedback on the ways in which Spahn & Rose communicates. As a result, Spahn & Rose is moving more quickly away from traditional marketing in efforts to target builders more efficiently on social media platforms such as Facebook, Twitter and Instagram.

"The loyalty that customers have with us is based not only on how we treat them, but how we communicate with them," Davis says. As a result, the company makes an effort



GET TO KNOW SPAHN & ROSE

FOUNDED:	1904
LOCATIONS:	23, PLUS DISTRIBUTION CENTER AND HEADQUARTERS
OWNERSHIP:	FAMILY
EMPLOYEES:	342
BUSINESS SOFTWARE:	EPICOR BISTRACK
BUYING GROUPS/CO-OPS:	DO IT BEST AFFILIATED DISTRIBUTORS (GYPSUM DIVISION)
TOP THREE BRANDS SOLD BASED ON REVENUE:	MARVIN WINDOWS ANDERSEN WINDOWS TREX

to let customers know when items are available in stock, when there are going to be major price changes, and more via email and text message.

MORE GROWTH AHEAD

With a system for growth in place, Spahn & Rose is careful to take advantage of the right situations. Davis says the company is open to strategic and opportunistic growth, and will continue to grow through acquisition, as well as locally by increasing customer share as well as increasing business segments.

"We have confidence in the way we do business, that our processes are good, and that we treat our customers with the respect they deserve," Davis says. "It's not a question of where, it's a question of being better." ■





THE BUILDING ENVELOPE

IN A CHALLENGING MARKET, SMART (AND AVAILABLE) PRODUCTS LEAD DEMAND.

BY MIKE BERGER

IN 1824, A SCOTTISH CHEMIST by the name of Charles Macintosh invented a type of waterproof tarpaulin fabric that was made by sandwiching a core of rubber softened by naphtha between two pieces of fabric. When tailors refused to use it, he launched his own company, and thus the Macintosh raincoat was born. Jump forward to 1898 when a New Zealand sailor named Edward Le Roy took worn-out sailcloth and coated it with a mixture of linseed oil and wax to produce a waterproof garment suitable for foul-weather conditions, and you have what we would consider today to be true waterproofing for the body.

When you stop to think about it, building envelope products aren't that different. They provide protection from the elements under some of the harshest conditions, and the last thing a builder can afford is to have them fail. That's where the LBM dealer comes in—providing innovative products that deliver protection solutions while reducing materials and labor costs where possible. But in this new environment of unstable supply chains and unpredictable sources of materials that may have dealers feeling a little shaky, building envelope product manufacturers see a lot to smile about.

STRONG MARKET, SUSTAINED GROWTH

Based on raw data, the 12-month outlook for products related to the building envelope looks promising—potentially as strong as last year. According to the U.S. Census Bureau and the U.S. Department of Housing and Urban Development, new residential building permits in September of 2021 were at a seasonally adjusted annual rate of 1,589,000. That's about 7% below the rate from August, but it's virtually unchanged from the previous year—meaning that housing starts are remaining consistently strong, boding well for the building envelope industry.

Numbers like this make manufacturers smile, and they share the optimism that's reflected in the predictions. "Our research shows that the pre-wrapped sheathing category of water-resistant board (WRB) is growing and will likely continue to grow over the coming years," says Casey Smyth, OSB/EWP brand manager for LP Building Solutions. "We believe that pre-wrapped sheathing WRBs are a better way to build versus traditional house wrap, and more and more this is also the perception in the market."

Allen Sealock, general manager of ZIP System Products, also sees growth in the future, gains he attributes to a willingness on the part of homebuilders to try new products and solutions throughout the COVID-19 pandemic. "Huber Engineered Woods is experiencing successful growth in our building envelope products, especially the ZIP System product line, every year and especially in 2021," he explains. "The system can help streamline installation for teams needing to make up time due to delays and stay protected during extended exposure because it comes backed by a 180-Day Exposure Guarantee." ▶

OPPOSITE PAGE: LP recently launched its LP WeatherLogic Air & Water Barrier wall and roof sheathing. According to the manufacturer, it withstands temperature cycling and delivers consistent, long-term protection from water intrusion while allowing moisture vapor to escape. As an integrated wall and roof sheathing solution, it combines both air and water protection along with a vapor-permeable membrane on the panel that allows moisture to dry.

BELOW: According to ZIP System, its building enclosure panels offer building teams the freedom to find the advanced, integrated roof and wall air and water management system that works for their build. With 20 integrated sheathing panels and over a dozen flashing options, teams can choose the right length, thickness, and R-value to maintain continuous air and water control layers over all surfaces and applications.



RIGHT: MFM Ultra HT Wind & Water Seal is a 45-mil, self-adhering roofing underlayment composed of a white, non-slip, cross-laminated polymer film, laminated to a high-temp rubberized aggressive asphalt adhesive. According to MFM, it can be used under shingle, tile, shake and metal roofing systems. It bonds to the substrate and seals around fasteners to limit damage caused by water penetration or leaks and comes with a split release liner for easy installation in valleys, ridges and around chimneys.

BELOW: TamlynWrap Drainable Wrap has a patented drainage pattern that Tamlyn says works in any direction and offers the largest integrated physical gap for drainage (1.5 mm). The gap is created by non-compressible filaments which ensure the proper drainage and enhanced drying behind any cladding system.



Mike Wilson, senior vice president of product management for BlueLinx, also sees growth, especially as the market continues to look for innovation via products that provide solutions. “We expect growth in this segment over the next 12 months as more emphasis is placed on energy-efficiency in residential and commercial buildings,” he says. “Manufacturers are introducing new and innovative products to fit specific market needs.”

Of course, there are always variables that can’t be predicted. Changes in inflation and interest rates can dampen building starts. Nevertheless, manufacturers are still optimistic. “2020 and 2021 were fantastic years for sales,” points out David Delcoma, product marketing manager for MFM Building Products Corp., “however, we see the market leveling off in 2022. If home loan interest rates remain low, we would expect to maybe be a couple of percentage points ahead of 2021’s pace.”

Xuaco Pascual, moisture management product manager at Tamlyn, agrees, “I see demand staying strong. Permits are strong and an indicator for future demand, so I don’t anticipate a significant slowdown in the next year. Interest rates and material availability are the wild cards, but demand is there for entry, move-up, and multi-family units.”

AVAILABILITY AND PERFORMANCE LEAD TRENDS

It’s doubtful that anyone involved with the building industry would have thought there would come a day when basic product availability would become a product trend, but because of scarcity of materials, being able to simply lay hands on

As part of its ZIP System portfolio, Huber Engineered Woods recently launched ZIP System VP Flashing Tape, a high-performing vapor-permeable tape used in panel seam sealing and flashing applications. According to the manufacturer, the new ZIP System VP Tape offers all the benefits of standard ZIP System flashing tape with a high-powered acrylic adhesive and broad temperature application range, with the added feature of a higher permeance for teams seeking to increase this factor for unique designs or environments.



something has become a major factor in the buying decision. “At this point, LBM dealers just need the product to sell,” says MFM’s Delcoma. “Most manufacturers are just trying to fulfill current orders with existing products which does not provide much time for product development or line trials. Most time is spent right now in acquiring raw materials to keep producing what we currently offer.”

But hand-in-hand with that basic availability is the desire for an assurance the building envelope product will provide exceptional performance. As more builders seek to create tighter building envelopes, they’re looking for products that can reduce heat loss and air leaks, reduce water infiltration, improve indoor air quality and lower HVAC needs.

As ZIP System Products’ Sealock explains, “One new trend we’re seeing is the continued move toward tighter building envelopes and more resilient design. We’re seeing more builders seek to go above and beyond code requirements for their building envelopes, particularly in air barrier areas, as it’s a component of their long-term efficiency distinction for homebuyers. Tight homes discourage air from moving through the walls, which helps control temperature and air quality in the home.”

Tamlyn’s Xuaco Pascual also sees product performance as a growing trend and an important driver in product development. “There is a growing trend and adoption of enhanced drainage behind all cladding types,” he explains. “Drainable WRBs continue to grow in use and there is a growing trend towards rainscreen systems that not only drain better but also promote ventilated cladding with enhanced drying. This has prompted the establishment of several industry rainscreen committees and a dedicated trade association known as RAiNA. This trend is further supported by the ICC changes calling for required drainage and rainscreen systems behind stucco claddings in all moist and marine climates.”

The availability of an array of related products that speed installation and increase the efficiency of the construc-



ABOVE: PROLinX Select Building Wrap from BlueLinX is a woven fabric weather barrier that can be customized with a builder’s logo and contact information. According to the manufacturer, it provides exceptional strength and durability at a low weight, and it is available with some of the smallest minimums in the industry.

LEFT: According to LP, its TechShield Radiant Barrier can help builders qualify for various energy codes, including Green Building credits, energy rebates and lower HERS scores. The panels’ VaporVents Technology is said to prevent moisture buildup during and after construction while blocking up to 97% of radiant heat in roof panels.

tion process also continue to be high on people’s checklist, adds Sealock. “Teams who use ZIP System products have shown a strong adoption to our wide range of flashing tapes and fluid-applied products because they make completing the system easy to achieve and adaptable to the design. If there’s a recess window, for example, ZIP System liquid flash is a great solution in that flashing area, but our wide 12” ZIP System flashing tape may be the right fit for the roof valley in that application. Builders enjoy having a wide range of options under a single manufacturer’s warranty for structure, water and air management around the entire enclosure.”

DEALING WITH THE NEW NORMAL

Just when the U.S. economy was poised to bounce back after COVID-19 forced closures and social distancing, a new problem reared its ugly heads to cause headaches for both manufacturers and LBM distributors: a severe shortage of materials.

According to the Associated Press, at the end of October 2021, there were more than 100 container ships off the shore of Los Angeles and Long Beach, California waiting to unload their goods. As well, the U.S. Trucking Association was reporting a shortage of 80,000 drivers—an increase of roughly 30% from the beginning of the pandemic. “Currently, raw material availability is a struggle in the industry in general,” says LP’s Smyth. “Disciplined and proactive management of our production has helped us to avoid many issues that we might otherwise face in this realm, but raw material availability has been an added challenge that we’re navigating.” ▶



Grip-Rite Shinglelayment, Housewrap and RED System Pneumatics and fasteners are just a few of the building envelope solutions available from PrimeSource Building Products.

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



MFM's David Delcoma also sees material shortage as a critical impactor. "This is probably the single biggest problem facing the market today, along with the outrageous price increases from the raw material producers," he explains. "As a manufacturer, we have no choice but to pass along some of the price increases, but we could never justify passing on the whole amount. All of this gets passed down to the ultimate buyer who is paying more and waiting longer for building materials. The only good thing about this situation is that it has taught us to be multi-sourced for all the items we purchase."

And like the materials shortage, an extreme lack of manpower is contributing to the conundrum the industry is finding itself in—from the manufacturers who struggle to keep lines properly manned to the distributors who don't have enough staff to get product to jobsites, not enough people are available for the jobs that need to get done. "I think this has hurt all levels of

the distribution chain," says Delcoma. "This is part of the problem with securing raw materials: not enough people to make it, or truck it, or sell it."

Tamlyn's Xuaco Pascual agrees. "Labor challenges have gotten worse," he points out, noting that it's the projects that are suffering. "Quality of installations with mix/match product use is growing due to limited or scarce availability of full systems. Some contractors are using whatever they can get their hands on regardless of suitability for the application."

To best deal with these conditions which, to a great extent, are beyond the control of the LBM distributor, manufacturers are doubling down on their relationships with dealers and recommend they in turn strengthen their communication and strategic planning skills. "Customers who have been less impacted by these challenges were more strategic around forecasting needs," points out BlueLinX's Mike Wilson. "Ordering on a consistent basis and working very closely with your suppliers and/or distributors helps avoid having a lack of inventory when you need it."

ZIP Systems' Sealock also sees communication as key, both for the LBM distributor and for the manufacturer. "We know the relationship between manufacturer reps and lumberyard reps is key," he explains. "That's why we've continuously invested in programs to support lumberyard employee education such as our Prove It Tour product demonstration events held at hundreds of dealer locations each year. Continued education for LBM dealers of new products and, maybe more importantly, innovations to existing products could seek to further their already phenomenal work into 2022."

“The only thing that the LBM dealers can do is to keep an open line of communication with their suppliers,” says Delcoma. “This way, they can inform their customers of the situation at hand and most customers appreciate that. I know that our customers want us to be transparent, even if it is bad news, but at least they are informed.”

KEEP CUSTOMERS BY STAYING SMART

It’s not enough, however, for LBM distributors to only provide exceptional communication to their customers, building envelope product manufacturers point out. They need to know their customers and be prepared to make product recommendations that will help their customers save time, reduce labor costs, and set them apart from the competition.

“Take the time to understand very well the challenges that builders face in the field,” says LP’s Casey Smyth, using LP’s WeatherLogic panels as an example of how those challenges can be met. “At a time when labor is scarce, LP WeatherLogic panels can help cut down on labor time (and labor costs) and helps provide peace-of-mind to builders by providing a 30-year limited warranty. LP WeatherLogic panels create a much cleaner and more professional looking jobsite than house wrap, which is very important to many of the builders we speak with. Lastly, LP WeatherLogic panels help builders distinguish their offering to homeowners—the product is more energy efficient than traditional house wrap, which is a key consideration for many homeowners currently.”

In order to make smart product recommendations, LBM distributors should lean on the expertise of the manufacturer so that they, in turn, can support their customers. As new products are launched, tap into the training resources available to them in order to make selling those products a success. “Research consistently shows builders look to LBM dealers for product education, to make economic tradeoff decisions and ultimately understand the pass-through value to their clients,” explains ZIP Systems’ Sealock.

“At Huber, our representatives are there to partner with LBM dealers every step of the way, from driving builder demand to providing OSR education to developing collaborative marketing solutions.”

“Knowing the products you sell is the most important aspect to selling the right product, for the right application, at the right price,” says MFM’s Delcoma. “LBM dealers do not have to be technical experts, but knowing the intended application and proper installation techniques is critical in keeping customer coming back.”

By the time of this story’s publication, one can only hope that solutions have been identified and put into place to ease some of the product and labor shortages. Still, even if ports remain clogged, trucks sit idle, and LBM distributors and builders alike struggle to fill open positions, building envelope product manufacturers have a cautious voice of shared optimism. Through careful planning and understanding of their markets, dealers can succeed with these products despite the challenges.

It’s a feeling best summed up by a single piece of advice from Tamlyn’s Xuaco Pascual. “Communicate and manage customer expectations realistically,” he encourages. “Promote the use of quality systems and compatible materials versus mix and match what you can get your hands on. Dealers may need to offer expanded inventory options beyond what they have been comfortable carrying in order to supply compatible system components.” When it comes to the building envelope, it’s advice that spells success for dealer and customer alike, and like the Macintosh overcoat of old, will leave you feeling warm, dry and happy. ■



TamlynWrap RainScreen is a multi-layer water management system intended for use over existing water-resistant barrier or coated sheathing systems. According to Tamlyn, it’s ideal for use behind stucco, stone, fiber cement board and metal panels. The 6.3 mm (1/4”) or 10.1 mm (3/8”) thick cavity spacers are non-compressible and can act as furring strips to promote enhanced drainage and drying capacity with improved installation efficiency.



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



Simpson Strong-Tie RCA-C rigid connector angle

Simpson Strong-Tie has added the RCA-C, for attaching cold-formed steel (CFS) stud framing to concrete supports. Designed to save installers time and reduce the cost of drilling connector holes at the jobsite, Simpson Strong-Tie says the RCA-C provides the most anchor options available, including holes for a 1/2"-diameter anchor screw or bolt, or for two 1/4"-diameter concrete screws positioned to allow a variety of fastening options. strongtie.com

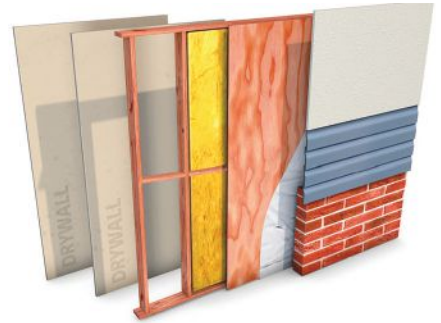


Cascadia Rail by AGS Stainless

Cascadia is an all 316-marine-grade stainless steel product developed to be simple to install and offer a clean, elegant appearance. Cascadia consists of fewer than eight SKUs, and it can be offered at a price that, according to the manufacturer, is a fraction of the cost of locally fabricated stainless railing. Cascadia is an ICC-ES approved metal railing system with a horizontal infill. No custom-design work is required, and no special tools are required for installation, which AGS says saves both time and expense. agsstainless.com

ProWood FR Wall Assembly

ProWood recently achieved UL Listing on a fire-retardant, pressure-treated wall assembly, ProWood FR UL V343 2-Hour Wall Assembly. The code-compliant ProWood FR V343 wall assembly bears a Class A Flame Spread Index of 25 or less, the best possible rating awarded to fire-retardant building products. ProWood FR V343 is manufactured under the independent third-party inspection of Underwriters Laboratories Inc. According to the manufacturer, the UL Listing for ProWood FR's V343 pressure-treated wall assembly gives builders and architects the peace of mind to spec the product in their construction applications. It also allows building code officials to quickly and confidently approve the product on the job sites. prowoodlumber.com



ABC's Builder Series metal buildings

ABC Builder Series from American Building Components is a built-to-order metal building solution that is completely customizable, and engineered to offer unlimited design options. These fit-for-purpose, bolt-up pre-engineered steel buildings are available in a combination of sizes, accessories, and frame designs, providing the flexibility required for specialized spaces and unique end use. According to the manufacturer, metal is resistant to damage from environmental factors such as high winds, fire, and invasive insects like termites. Steel is self-supporting, and no interior columns are necessary. Roof and wall panels come in 26-gauge, with the option for 24-gauge, in any of ABC's 14 Signature 200 Commercial and Industrial colors and include a 40-year chalk and fade paint warranty. Users can choose from a variety of doors, windows, canopies, skylights, and more to further customize the look of the buildings. abcmetalroofing.com



New CAMO ClipDRIVE

The next generation of stand-up fastening CAMO ClipDRIVE is designed for fastening CAMO Universal Deck Clips. Engineered to be ergonomic and lightweight, the tool attaches to any drill and allows users to stand while fastening any type of grooved deck board. The ClipDRIVE features a height-adjustable handle and weighted nose enhancing the ability to swing the tool from joist to joist easily target the exposed screw head. The contractor-grade tool is engineered to be simple to put together and comes with a T-15 bit for easy install. CAMO ClipDRIVE is backed by a CAMO warranty for use with leading deck boards. camofasteners.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.

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PRESTON FEATHER BUILDING CENTERS Petoskey, MI	est. 1915	NORTHERN OHIO LUMBER & TIMBER Cleveland, OH	est. 1864
NATIONAL LUMBER CO. Baltimore, MD	est. 1919	BRUCE HALL CORP. Cooperstown, NY	est. 1921
KEIM HOME CENTER Charm, OH	est. 1911	HILLS FLAT LUMBER CO. Grass Valley, CA	est. 1921
ACME LUMBER & BUILDING MATERIALS Chicago, IL	est. 1903	GILLMAN HOME CENTER Batesville, IN	est. 1872

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Ponderosa Pay

A cloud-based application, Ponderosa Pay was developed to provide a robust electronic bill payment solution that, according to the manufacturer, offers a consistent user experience and requires minimal maintenance. Customers can review bill history and payment history for recent and past bills. Ponderosa Pay also lets dealers offer consistent rates for customers with a flexible fee structure and no subscription or licensing costs—whether the dealer decides pass the fees along or absorb them. Designed to provide a convenient, one-stop online location for all payments, dealers can expedite reconciliation of payment activity and maximize electronic payment adoption, as well as eliminate the worry about ‘check’s-in-the-mail’ stories, bad checks, or delayed payments. caisoft.com



KEEN Dearborn work boots

KEEN Utility’s Dearborn is a medium-duty boot features KEEN FLEXARMOR, an upper material developed from a lightweight, ultrastrong seamless woven textile said to have more abrasion resistance than leather. Combined with a KEEN DRY waterproof, breathable membrane and an air-injected Luftcell midsole, the Dearborn is engineered to provide comfort without sacrificing safety. In addition to a heat-resistant rubber outsole, a KonnectFit heel-capture system provides a locked in feel, while non-metallic and asymmetrical carbon-fiber safety toes provide a roomier fit, 15% lighter than steel. Built for both indoor and outdoor terrain, the Dearborn is EH-rated with an oil- and slip-resistant non-marking rubber outsole. keenutility.com



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Nova USA ExoDek QuickClips

ExoDek QuickClip hidden fasteners from Nova USA Wood Products are designed to expand and contract with the natural swelling and shrinkage of hardwood and softwood decking products as well as PVC and composite deck boards. The ExoDek Quickclips were specifically designed for Nova's line of hardwood decking products like Ipe, Batu, Cumaru, and Mahogany. The new hidden fastener system was developed to ensure that deck boards remain securely fastened through all four seasons and to reduce the possibility of uneven spacing and loose, buckled and/or damaged boards. Designed with glass fiber reinforced nylon (Polyamide 6/6), the new ExoDek QuickClip hidden deck fastener system is said to ensure the long-term structural integrity of high-end decking projects. novausawood.com



Versatex expanded color options

Versatex has expanded its portfolio of color options in maintenance-free PVC for porch ceilings, soffits, and accent walls. Recently unveiled choices include: Turner Oak, a contemporary shade that's lighter than walnut; and Kitami, which simulates the carbonized surface of shou sugi ban, an age-old Japanese preservation technique. They join the Canvas range of Black Cherry, Walnut, Macore, Amber, and Weathered Grey. All Canvas Series products match the standard Versatex WP4 T&G profile, with tactile woodgrain laminate permanently bonded to a moisture-resistant PVC substrate. The nominal 1x6" WP4 profile (actual thickness is 3/4") comes in 18' lengths and can span up to 24" on center. Matching 4" crown mouldings come in 16' lengths. Color-coordinated touchup kits are available for butt joints and fastener marks. versatex.com



Fortress wood-alternative products

Fortress has engineered a complete collection of wood-alternative building solutions that the manufacturer says provide depth of inventory, but not an overcomplicated yard for dealers. Products such as Apex capped bamboo-PVC composite decking and Evolution steel deck framing and stair systems have been introduced to bring awareness to the fact that performance and aesthetics can be twofold in the building industry. Fortress wood-alternative products include: decking, railing, framing, fencing, pergolas, and cladding. Fortress also offers specialized fastener systems and lighting accessories. fortressbp.com



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Haas Door English Oak wood grain

Haas Door has introduced the English Oak wood grain color option to its Steel 2400 Series for both residential and commercial garage doors. The unidirectional wood grain color runs horizontally and has been developed with a rich brown finish with variance in hues of darker browns to create an Oak grain pattern. The finished steel is then embossed with a wood grain texture designed to provide a realistic representation of wood. The 2" thick, 24-gauge galvanized steel in the Steel 2400 Series garage doors are available with a variety of window and decorative glass option. The garage doors carry a lifetime limited warranty. haasdoor.com



DEWALT Powerstack

The DEWALT POWERSTACK 20V MAX Compact Battery marks a new era of performance for DEWALT cordless power tools. Designed to deliver the lightest and most powerful compact battery, features include: 50% more power enabling broad application capabilities and fast performance with cordless tools; 25% more compact; 15% lighter; and twice the lifespan. The battery pack has a LED fuel gauge that displays the battery's state-of-charge, and is designed with a non-marring rubber overmold that is said to provide impact resistance while helping to protect finished surfaces. The battery was developed for cutting, drilling, and fastening applications, precision and finishing tasks, and when working in tight spaces. The DEWALT POWERSTACK 20V MAX Compact Battery is compatible with all DEWALT 20V MAX tools and chargers in the 20V MAX system. dewalt.com



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*Source: Fredonia Group study

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IBC=inside back cover, IFC=inside front cover, OBC=outside back cover, BB=belly band, INS=insert



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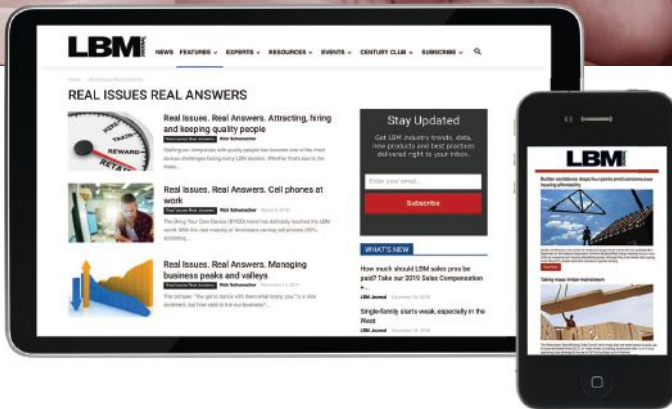
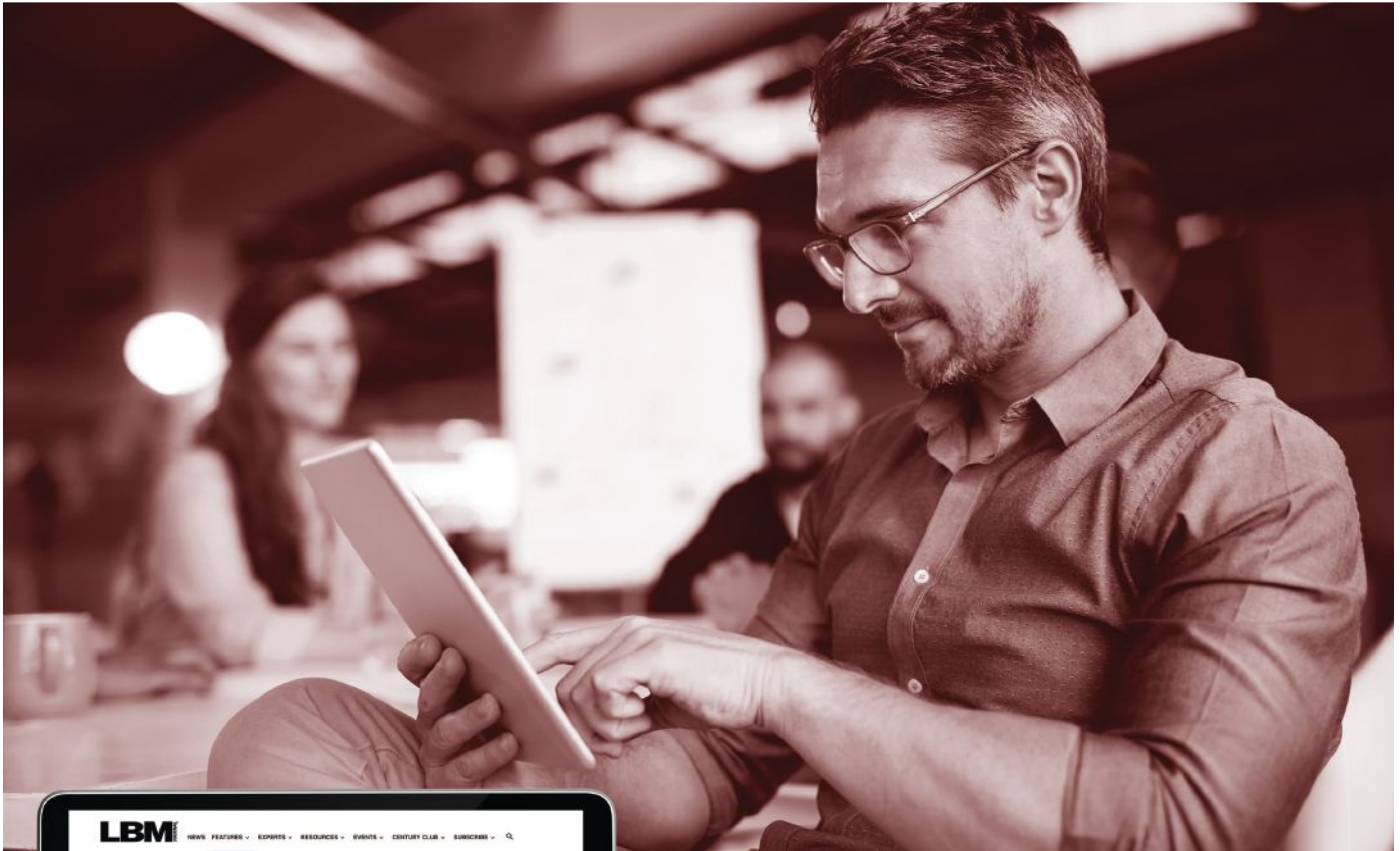
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THE CASE OF THE UNPROFITABLE LARGE CUSTOMER

YOUR REP (#1 IN SALES VOLUME) IS THREATENING TO LEAVE AND TAKE YOUR BIGGEST CUSTOMER (#1 IN SALES VOLUME) TO THE COMPETITION IF YOU INSIST ON PROFITABILITY. WHAT WOULD YOU DO?

Your company is one of the leaders in your market for serving professional builders, and your team of outside sales reps have established really strong relationships with their customers. That turned out to be a very good thing in 2021, when prices spiraled out of control and product availability was worse than you'd ever experienced. Despite this operational rollercoaster, you and your management team decided mid-year to get serious about getting the most from your powerful new software platform.

Since your sales reps have great latitude with pricing, you chose to focus on cost to serve per individual customer. You had a hunch that this analysis would reveal some surprising facts, but you were floored when you learned that your single largest customer, Big Bob Homes, contributed next to nothing to your bottom line. How could that be?

As it turns out, not only does Big Bob Homes enjoy the most aggressive pricing of any of your customers, they're also very high maintenance, especially when it comes to product deliveries. In fact, your delivery team averages 2x to 3x more trips to their jobsites, compared to similar customers. Since they know that they're your biggest customer, they play that card every time they need 10 2x4s or a couple boxes of nails rushed to a jobsite.

You knew that it cost more to serve Big Bob Homes, but when the analysis showed that the combination of excessive deliveries and extremely thin margins turned them into, essentially, a break-even customer, something had to change.

In a conversation with Phil, your long-time leading outside sales rep, you shared the results of the analysis. He wanted nothing to do with these newly uncovered facts. "I've been working with Big Bob Homes for years, and that work has turned them into our largest customer. With the amount of money they're spending with us, there's no way we're barely breaking even."

Assuring him that you were as shocked by this as he is, you explained that some changes were needed in order to turn them into a profitable customer.

"If you're telling me that I'm going to have to raise their prices, after how loyal they've been to us... And that I'd have to limit their deliveries to what we provide our standard builder customers, well, that's just not gonna happen. I take care of my customers, and I'm definitely going to take care of Big Bob Homes," he said, as he stormed out of your office.



The next day, Phil came into your office, closed the door, and said, "I've been thinking a lot about the situation with Big Bob Homes, and here's where I'm at. If you insist on higher prices and/or fewer deliveries, then I'm going to say yes to the job offer with a competing yard—and I'm going to take Big Bob Homes' business with me."

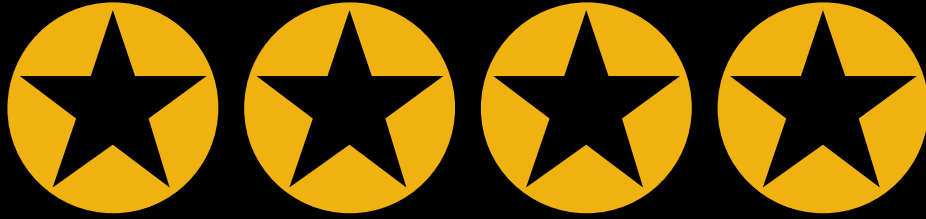
Essentially, your leading sales rep (by volume, anyway) is threatening to leave and take your biggest client (again, by volume) if you make the changes necessary to turn Big Bob Homes into a profitable customer. What would you do?

► CAST YOUR VOTE ONLINE AT: LBMJOURNAL.COM

- **STAY THE COURSE.** There are worse things than breaking even on a customer. Help Phil off the ledge, and back to the way things have always been. Share of market matters, too.
- **CALL PHIL'S BLUFF.** Explain that profitability is required for you to be in business, and to afford to pay Phil and his colleagues. You'd hate to see him go, but these changes will happen with or without him.
- **SET BOUNDARIES.** Set limits in your software system for daily deliveries, and also for margin exceptions. Phil won't like it, but he'll realize that you were serious, and he'll accept it eventually.
- **PAY ON PROFITABILITY.** Change the pay structure so that salespeople are paid based on the profitability of each customer. When Phil sees that low margins and high cost to serve hit him in the wallet, he'll change his ways.

SOMETHING ELSE?

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



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