

PRO DEALER INDUSTRY SUMMIT

NLBMDA Home Channel News



At the summit, from left: Steve LeFever led a spirited presentation on banking and business; Dan Fesler passed the gavel to Joe Collings, incoming chairman of the NLBMDA; Education was served, along with actionable business intelligence.

More than 170 people attended the ProDealer Industry Summit in Orlando, Fla., last month. Vendors rubbed elbows with executives from ProBuild, Stock Building Supply, Builders FirstSource, BMC Select, Do it Best, Orgill, LMC and dozens of independent dealers.

One big draw was the educational program, which opened with a housing forecast from National Association of Home Builders economist David Crowe. The session concluded with a coast-to-coast survey of November's House and Senate races by Michael O'Brien, president and CEO of the National Lumber and Building Material Dealers Association, which co-sponsored the event with *Home Channel News*.

In today's business climate, there can't be too much knowledge or networking. In that spirit, the following pages bring you the highlights.

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Check out HCN TV for PDIS footage



• **NLBMDA's State of the Industry**
Dan Fesler of Lampert Yards addresses the PDIS



• **2010 Pro Dealer of the Year Award**
This year's winner is New York City-based MarJam Supply Co.



• **2010 Independent Pro Dealer of the Year Award**
Forge Lumber Co. accepts the award

Wielding the supply chain

Panel discussion cuts to the bottom line of pricing, unbundling

BY BRAE CANLEN

Anyone who expected the usual supply chain collaboration discussion at the ProDealer Industry Summit was in for a surprise this year. ProBuild's Michael Mahre and Standard Pacific's Scott Hearty went beyond the "we need to communicate better" claptrap and talked about more controversial issues like cost visibility, demand forecasting and the unbundling of labor and materials.

ProBuild, the nation's largest chain of building material outlets, and Standard Pacific, a production



Michael Mahre, senior VP corporate development for ProBuild Holdings

home builder with operations in eight states, work together in several markets. But that doesn't mean that Mahre, senior VP corporate development at ProBuild, and Hearty, VP national purchasing operations for Standard Pacific, agreed on everything.

Not surprisingly, transparent pricing was one dividing line. Using the analogy of a shopping cart of groceries, Hearty said he wanted to know more than just the total amount at the bottom of the receipt; he was also curious about the price of the bunch of bananas.

Reflecting back several years to before Standard Pacific initiated its "1Standard" program, Hearty said he often had "no idea" what that lump sum he had agreed to was really buying him.

"It was like a wall," Hearty said. "I was at the mercy of my trades."

Applying the supermarket idea to building materials, Hearty embarked on an effort to break out material and labor during the bid process. He also tried to better understand his suppliers' unit costs and establish more direct buys with distributors and manufacturers.

As a result, Standard Pacific was able to realize substantial savings in framing, roofing and concrete slab work in three separate markets. Hearty's purchasing agents stopped continually adjusting their pricing when the commodity markets fluctuated; now, they make adjustments three times a year — as per their contracts with their suppliers.

In his remarks, Mahre focused on the difference between "cost transparency" and "price transparency." With the latter, builders know their suppliers' margins and mark-ups.

"With price transparency, the fear is that you're going to take the profit away from those who legitimately earn it. After all, we're all in this business to make money," Mahre said.

The ProBuild executive also pointed out that once profit margins become public knowledge, "you take away the incentive for competition."

“If I could [standardize] the top 10 or 15 spends, I would be very excited about that.”

— SCOTT HEARTY
STANDARD PACIFIC

Hearty said he's been able to save an average of \$39,000 per house through direct buys, unit pricing for material and labor and other aspects of the company's "1Standard" program. But there are still some things in the supermarket cart that remain a mystery to him, he admitted.

"If I could [standardize] the top 10 or 15 spends, I would be very excited about that," Hearty said.

The audience needed little encouragement to participate in the 45-minute session, which also touched on better demand forecasting by builders. Asked where smaller LBM dealers fit into his supply chain, Hearty said: "The small, local [independent] can bring faster service to the builder. They understand the market. So it's quality, speed and accuracy."

Mahre wondered why the building material industry is so far behind on product data synchronization, which is being universally adopted by retailers and manufacturers.

"Why is it so hard to standardize the identification of a doorknob in a builder's plan," he asked?

The answer, as always, was a lack of funding. ■

Big green, little green

Home builders talk eco benefits at PDIS panel

BY BRAE CANLEN

Attendees at the ProDealer Industry Summit witnessed the two extremes of green residential building Oct. 15 in a rare showing of eco-friendly homes that bridged the gulf between Platinum LEEDs and entry-level production. Despite differences in price and style, the green homes flashing across the screen that morning featured many of the same energy- and water-saving design devices and appliances. The builders behind the presentations — Tony Callahan of Beazer Homes and Josh Wynne of Josh Wynne Construction — have both been recognized as pioneers in the residential green movement.

The biggest difference between the two men is that Callahan has never heard the phrase “Cost is not a concern” from any of his customers. Wynne, on the other hand — well, let’s just say his clients are willing to pay a little extra to help out the environment.



Beazer’s Tony Callahan, seated, and Josh Wynne of Josh Wynne Construction

“[Our goal] is to make green affordable to the average homeowner,” said Callahan, who serves as senior VP national purchasing, planning and design. After a long collaboration with energy experts, building scientists and a nationally recognized green home

builder in San Antonio, Beazer developed its eSmart series of “high performance” homes that, according to a National Association of Home Builders Research Center study, are up to 47% more energy efficient than comparably sized houses built 10 to 15 years ago.

Beazer debuted its eSmart homes last July in Duluth, Ga.

Besides spray foam insulation in the attic and wall cavities, low-E windows and sealed ducts, the base eSmart package includes water-saving bath fixtures, CO detectors, low-VOC paint and carpet, high-grade MERV 10 air filters,

programmable thermostats, energy monitors and CFL bulbs throughout the house. Additional enhancements available include tankless water heaters, radiant barriers, dual-flush toilets, fresh-air ventilated ducts and native landscaping.

Although other production home builders are also offering energy-efficient homes, “There’s

no single national home builder who’s recognized as a leader in this space,” Callahan observed. But a look at the map of the United States on Beazer’s Web site shows that the Atlanta builder has been constructing eSmart homes around the country: They’re now in 29 communities.



PHOTO COURTESY JOSH WYNNE CONSTRUCTION

The Coddling Cottage, a LEED Platinum home built by Josh Wynne Construction in Sarasota, Fla.

In stark contrast, Wynne Construction builds only a few homes a year. Wynne lives in Sarasota, Fla., and most of his projects are in that region. He takes on only green, sustainable building projects and has won numerous awards for his work. Wynne’s innovative use of reclaimed and recycled materials — he makes a lot of the trim, molding, countertops and other materials himself — is truly impressive.

But what might have amazed the audience most of all was Wynne’s position on chain-of-custody certification requirements for FSC-certified wood.

“For what it brings to the project, it’s a lot of trouble,” Wynne said of FSC-certified wood. “I only use it when it’s mandated.”

Wynne, who won the 2010 U.S. Green Building Council Outstanding LEED for Homes Project of the Year award, also addressed the issue of builders and architects who choose their materials based on what they’ll contribute to a project’s overall LEED score.

“The people who are chasing points are the people who are [only] chasing a market. In the future, they’ll weed themselves out,” Wynne said. ■

Recognizing achievement in the yard

BY KEN CLARK

The Home Channel News Pro Dealer of the Year Award ceremony was again one of the highlights of the 2010 ProDealer Industry Summit. New York City-based MarJam Supply and Cincinnati-based Forge Lumber were both honored at the event.

MarJam Supply Co.'s high-volume Brooklyn yard is not for the faint of heart. The yard operates 24-7, delivering materials



MarJam's Mark Buller

to some high-profile locations in the city that never sleeps.

"The company was founded in Brooklyn," said president and co-founder Mark Buller. "We wake up in the morning expecting traffic and expecting everything to be antagonistic. And we love it, because we're used to it."

MarJam Supply Co.

2010 Pro Dealer of the Year
Slogan: "We deliver."
Headquarters: Brooklyn, N.Y.
Locations: 22
HCN Industry Scoreboard ranking: No. 16
2009 sales growth: 7%
Founded: 1979
Color commentary: "We hope to emerge from this business climate ahead of the class, but we're humble about it." — Mark Buller

Buller founded the company with his brother James in 1979. It has since grown to 22 locations — not

counting door shops and storage areas.

No bigger company had better sales growth on the 2010 Pro Dealer Industry Scoreboard. No. 16 on the list, the company had a 7% sales gain in a difficult year.

The company is no stranger to awards. In 1995, Mark Buller was recognized as Metropolitan New York winner of an Ernst & Young Entrepreneur of the Year award. More recently the Northeastern Retail Lumber Association honored MarJam chief operating officer Carmen Arguelles as a "Lumber Person of the Year."

And in Buller's opinion, the company is looking to keep it up for the long haul.

"We're not like a private-equity company that walks in and knocks 25% out of costs and pops a profit next quarter," he said. "Of course, we want to pop a profit, and we have pretty good profits in a bad economy. But we're thinking long term."

[Watch Mark Buller accept the Pro Dealer of the Year award.](#)

The owners of Forge Lumber were on the sidelines during the height of the building boom, having sold their Cincinnati operation to Builders FirstSource in 2000. But after their non-compete agreements expired, the management group jumped back in.

And they wasted little time establishing their two-location operation — one yard on each side of the Ohio River in Kentucky and Ohio — as a force in their market.

In 2009, Forge Lumber rode market share gains to a 27% sales increase, and a 282 ranking on the Pro Dealer Industry Scoreboard. For its success and commitment to service and growth, the company earned the 2010 Independent Pro Dealer of the Year award. That sales success, in a year when the vast majority of companies on the Scoreboard showed declines, was the result of a focus on the customer and a focus on quality.

"We want to have the most professional lumber operation in the country," said Eric Steinman, executive VP. It's an ambitious goal, and one that begins with putting the right people in the right positions.

"When we bought two smaller lumber organizations to form Forge Lumber, those purchases



Eric Steinman, right, receives the award from Clarence Wilkerson of iLevel by Weyerhaeuser.

Forge Lumber Co.

2010 Independent Pro Dealer of the Year
Slogan: "We nail it. Every time."
Headquarters: Cincinnati
Locations: 2
HCN Pro Dealer Scoreboard ranking: No. 282
2009 sales growth: 27.8%
President: John Steinman
Color commentary: "We believe our customers will be looking for us to help them more, and in many ways." — Eric Steinman

were focused on people," he said. "Many of them we knew and respected and felt like they would help form a great team."

[Watch Eric Steinman's acceptance speech here.](#)

Faces in the crowd

The 2010 ProDealer Industry Summit in pictures



NLBMDA members mingled at the LuDPAC fundraiser.

During the fundraiser for the Lumber Dealers Political Action Committee or LuDPAC, from left: Cally Coleman Fromme of Zarsky Lumber, former Senator Trent Lott, Scott Yates of Denver Lumber, George Lester of the Lester Group, and Carl Tindell of Tindell's Building Materials.



Paying attention: Attendees of the ProDealer Industry Summit tuned into a variety of sessions, with topics that included banking, the economy and vendor relations.



Quent Ondricek of Do it Best introduces an afternoon educational seminar.



Paul Furman from USG asks a question of keynote speaker Trent Lott.



Thomas Molloy from ENAP and Bruce Brushwood from Moulding & Millwork

Looking ahead at LBM

One economist is waiting for the crunch in lumber supply

BY BRAE CANLEN

Having lumber orders to fill and not enough inventory on the ground may sound like a dream to LBM dealers right now. But that day may

combine to raise the prices of softwood lumber as supplies tighten.

“The crunch is more likely to come after the [housing] recovery,” said Spelter, who recently retired as an economist for the Forest

Products Lab of the USDA Forest Service. While closed mills are pretty typical during a downturn, Spelter pointed out that this time around, “It wasn’t just the smaller mills. Many of the larger mills have also been closed. So we’re [permanently] shrinking capacity.”

Shipments of U.S. softwood lumber are down by 41%, or 4 billion ft., Spelter said. Eastern Canada has reduced

its capacity by 5 billion ft. since the housing slowdown, and Western Canada has shrunk its output by 3.5 billion ft.

The situation in British Columbia is complicated by several factors, including U.S. tariffs, which may make China a more attractive market. B.C. mills used to send 70% of their output to the United States, but that number has been reduced to 50%, according to Spelter.

And then there’s the pine beetle. While the “beetle kill” has peaked and loggers are now salvaging what’s left, the shelf life of dead trees remains unknown. With British Columbia accounting for 20% of North American lumber supply, there’s bound to be a ripple effect on pricing by 2015, Spelter said.

Taking the long view, Spelter looked into a future where housing starts are once again at 1.5 million units — with 20% less lumber available. “That’s when the crunch will come,” he said. ▲



Chief economist David Crowe of the National Association of Home Builders (NAHB) called “consumer reluctance” the main impediment to the housing recovery, followed by an oversupply of unsold homes.

Crowe pointed out that most of these houses are either resales or foreclosed properties — new-home inventory in the United States is now approximately 200,000 single-family units, the lowest it’s been since 1968, he said.

arrive sometime in 2015, according to a forecast by Henry Spelter, an economist with Forest Economic Advisors. Reduced capacity, increased demand from China, the pine beetle infestation in Western Canada and other factors will

Forest Economic Advisors’ forecast for housing starts expects a respectable 1.2 million in 2012. That kind of an increase in demand could lead to a lumber shortage.



Support the NLBMDA



Lampert Yards is doing it.

Ferguson Lumber is doing it.

Zarsky Lumber is doing it.

They're supporting the National Lumber & Building Material

Dealers Association (NLBMDA). We should all be doing it.

Speaking at the 2010 ProDealer Industry Summit — co-hosted by the NLBMDA and *Home Channel News* — Lampert Yards CEO Dan Fesler did the math.

There are 24 words in the Pythagorean theorem, he pointed out.

There are 179 words in the Ten Commandments.

And there are 26,911 words in the U.S. government regulations on the sale of cabbage.

"That's why we need an organization like the NLBMDA," Fesler said. "All legislation is bad, and what we really do is work to make it better. You're either at the table having a discussion, or you're what's for dinner."

During the NLBMDA's transition ceremony, incoming chairman Joe Collings of Indiana-based Ferguson

Lumber accepted the ceremonial gavel. Then, in a smooth radio voice — the kind of voice a politician would give his right arm for — Collings delivered the definitive argument for a strong, national association of lumberyards.

"The NLBMDA was founded to give dealers a national presence, clout with lawmakers and advocacy with regulatory agencies on a federal level," he said. "To be the voice as well as the muscle needed to professionally represent membership in the unique environment of national government."

remediation program.

- The NLBMDA continues to push for Innocent Sellers Fairness Act.

"During the following year, you will see the association continue to build upon its unwavering founding principles, by continuing to be a first-class advocate for its members in governmental affairs," Collings said.

Next year, Cally Coleman Fromme, of Victoria, Texas-based Zarsky Lumber, will take the gavel from Collings. She already has advice for LBM dealers: "Come to the table. Contribute. Be a part of the conversation to make a difference," she said. "Let your voice be heard."

Of course, the regional associations are the backbone of the lumber industry, providing guidance, networking, knowledge and support on the local level, where the rubber meets the road.

There exists a shining example of a successful organization composed of regional bodies, connected by a strong national federation. It's called the United States of America. More than two centuries of peaceful power transfers

and hundreds of millions of people enjoying the blessings of liberty and democracy through a combination of state and national organizations.

Support the NLBMDA. It's the American thing to do.

— Ken Clark

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Passing the gavel: Dan Fesler of Lampert Yards welcomes incoming NLBMDA chairman Joe Collings of Ferguson Lumber.

Cases in point:

- The NLBMDA pushed for and won exceptions to OSHA rules governing articulating boom trucks — exceptions that will save dealers, on average, thousands of dollars each.

- The NLBMDA has taken legal action to support dealer interests against a woefully inept EPA lead

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