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**CHEERS:** Maggie Hardy Magerko (left) and Joe Hardy (right) toast 84 Classic winner Jason Gore (center), who edged out the competition on the final day of the golf tournament.

## A party tees off in Pa.

Contractors, sales associates build bonds at 84 Classic golf tournament

BY ANDREW M. CARLO

FARMINGTON, PA. — If you know a thing about 84 Lumber, you know that they know how to throw a party.

It should come as no surprise then that the nation's largest privately held pro dealer flew in nearly 5,000 associates, customers and potential customers for its sixth annual 84 Classic PGA golf tournament held at the Mystic Rock Golf Course in Farmington, Pa., on the grounds of the company's Nemaquin Woodlands Resort.

Attendees witnessed a nail-biting finish as

Jason Gore outlasted the field to take the annual outing and win his first PGA tournament. Gore shot two-under-par 70 in the final day of play, edging second place finisher Carlos Franco and third place finisher Ben Crane. For the tournament, Gore shot 14 under 274.

The tournament itself continues to be a crown jewel of 84 Lumber's marketing initiatives. In the days leading up to the 84 Classic, the dealer treated its contractor guests to golf and a host of events at several Pittsburgh-area golf courses; it was a chance to relax, talk a little shop and reward its customers.

(See 84 LUMBER, page 18)

## Independent dealers weigh industry issues at Hardware Conference

Networking venue draws retailers from major co-ops, distributors

BY BRAE CANLEN

MARCO ISLAND, FLA. — From price increases to product knowledge, vendors and retailers found some common ground here at the 17th annual Hardware Conference, held Sept. 9 to 11. Originally founded as a networking venue, the event stayed true to its intent this year, with trading partners exchanging ideas, contacts and the occasional grievance about a wide variety of retail topics.

Each day featured an "open dialogue" session that covered everything from packaging to product exclusivity. This last topic, a source of growing concern for smaller retailers, sheds some light on the pressures vendors face from the big boxes. (See *HARDWARE CONF.*, page 19)



PHOTO COURTESY THE HARDWARE CONFERENCE

**CONNECTIONS:** Eddie Carranza of Ames/True Temper (left), answers questions posed by George Marshall of Jensen Beach, Florida-based Ace Hardware at the 2005 Hardware Conference.

# Hardware Conf.

(Continued from page 3)

"It helped us to understand the issue from their point of view," said Brenda Pitkin, owner of three Ace Hardware stores in eastern Virginia. Pitkin brought her two daughters, ages 32 and 34, to the conference as part of their introduction into the family business.

Packaging was another issue raised by the retailers, who claimed that frequent changes are creating havoc with their category management. Vendors, in turn, talked about the rising costs of raw materials and fuel, warning retailers that price increases are in the pipeline.

For Bruce Johnson, owner of Johnson's Ace Hardware in Wellford, S.C., the conference was all about new products — and how to sell them. A visit to the DampRid booth gave him an idea for an in-store demonstration. "I wouldn't normally build an end cap for a dehumidifier," Johnson said.

The event also drew dealers from Do it Best, True Value, Orgill and other distributors. Organizer Tom Chasteen, who owns Tavernier Ace Hardware in the Florida Keys, said the conference is now pulling in retailers from New York, Massachusetts, Canada and other areas beyond

its Southeastern origin.

John Shoemaker from SDS Designs, a first-time attendee, used the event as a "second launch" of Cretesheet, a concrete mixing device. (The National Hardware Show in Las Vegas was the product's first launch.) Shoemaker said he got a number of ideas from other vendors, including names of manufacturing reps.

In one of the open sessions, Shoemaker learned that many dealers avoid drop ships and order 90 percent of their merchandise from their co-op's distribution center. "That put a new emphasis on getting into the warehouse," Shoemaker said.

Product knowledge sessions were top of mind for many vendors, including Barry Sopinsky, national sales manager of flooring for BonaKemi. "I wanted to hear what these retailers had to say about [employee] training," Sopinsky said. Although BonaKemi is primarily known for pro-oriented floor refinishing products, the company is broadening its distribution to consumers through the independent channel. Sopinsky and other vendors asked about preferred training materials (e.g., DVDs vs. VHS tapes) and whether retailers welcomed in-store visits.

Sopinsky also got to spend a day with Rocco Falcone, president of Rocky's Ace Hardware, a 25-unit chain based in Springfield, Mass. "We've done business with Rocky's before, but never really had the



PHOTO COURTESY THE HARDWARE CONFERENCE

**OPEN MIKE:** Open dialogue sessions moderated by Hardware Conference director Tom Chasteen (center) featured an exchange between retailers and manufacturers.

chance to develop a relationship," Sopinsky said. "I think we'll be moving forward on some programs now."

Libbie Susnik, an account representative for 3M, was the recipient of "Jacket," a tacky sports coat that is traditionally passed from vendor to vendor at the end of each Hardware Conference. What started as a joke has evolved into a symbol of the informal inter-

actions for which the conference is known.

"This [conference] is not about trying to place orders," Susnik said. "We're all there to build relationships." Nevertheless, Susnik returned to the office with at least one new business practice: "Bin tags," she said. "The retailers said they need them with special assortments and displays." ■

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# Short supply

(Continued from page 1)

in 1992, leading to a residential reconstruction process that took more than a decade to complete. Though less destructive than Katrina, early damage estimates from Rita have hit \$9 billion in Texas.

The effect on building materials has been pronounced. The national average wholesale price of wood panels increased 37 percent since the end of August with Southern pine plywood up by 50 percent.

LBM buyers agreed that prices had gone up roughly 50 percent in the immediate aftermath of the storm. "In general prices on pine plywood, pine lumber, spruce lumber and OSB have spiked," said Gene McKinney, vp-purchasing at Knoxville, Tenn.-based Tindell's Lumber and Building Materials. "We had a quick wave of panic buying, and now people seem to have their needs met."

While LBM prices have indeed begun to plateau, supplies remain critically low. "It's not so much price as it is availability of plywood and OSB," said Glenn Lewis, senior panel and forest products buyer at Orgill. "Everything is extremely hard to get, and it's not a regional issue. We have customers in California and Utah who want OSB, and we can't find it."

Even when materials can be sourced and put on the open market, rising fuel costs and extensive damage to ports and roads in the Gulf Coast have created transportation and production issues.

"It's looking pretty grim, and

Rita could interrupt materials distribution even more," said Paul Hylbert, president and CEO at Lanoga. "Storms hit Florida last year, but we didn't lose production. With these storms, we're talking about losing productive capacity."

The rebuilding process in Texas and Louisiana is months away, but a drop in production could have a perilous effect. "You can't complete a house without gypsum wallboard," said Ben Phillips, CEO at Contractor Yard.

To be sure, this year's hurricane season has only exacerbated what was already a tight market in the United States for building materials such as cement, panels and lumber. According to data from the Portland Cement Association (PCA), demand for cement was at a record high level before Katrina hit, with consumption in the United States just shy of 120 million metric tons in 2004 and first-quarter 2005 figures about 7 percent above last year's very strong levels. By summer's end, cement suppliers reported shortages or tight supplies in as many as 34 states, the PCA said.

To help alleviate shortages and price pressures in building materials following the hurricanes, the Bush administration has come under pressure to find a political solution, most notably reducing tariffs on imports.

Trade officials from the United States and Mexico met in the immediate wake of Katrina to discuss the lowering or removal of tariffs on Mexican cement. The United States imposed duties — which go as high as 62 percent —

in 1990 after American producers complained that Mexican cement was entering the United States at below-market prices.

Mexico is appealing the duties to the World Trade Organization and the North American Free Trade Agreement, but a final decision is unlikely for some time, as talks between the two NAFTA countries have gone on for years.

Because of its close proximity to the United States, it takes only four days to import cement from Mexico, compared with 40 days from Asia, from which the United States sourced about 25 percent of the cement it used last year. In addition to logistical difficulties in Asia, accelerating economies in China and South Korea are also competing with domestic construction companies for cement.

The anti-dumping tariffs against Mexican imports are limiting supply from that country, which reportedly has excess capacity of as much as 8 million tons.

Meanwhile, the hurricanes' upward pressure on building materials prices has also brought a call for the repeal of tariffs on Canadian softwood lumber.

The Bush administration imposed levies on Canadian lumber in 2002 at the behest of U.S. lumber producers who alleged they were hurt by lumber illegally dumped on the domestic market by Canadian competitors. Arbitration panels from the WTO and NAFTA have since rejected that assertion and called for the tariffs' removal.

But unlike cement, some building material buyers were unsure

how much benefit the removal of tariffs on Canadian softwood lumber would really have since the market for spruce lumber — the principal lumber commodity from Canada — was already stable.

"Prices took off after the storm," McKinney said. "The supply chain got a jolt but that didn't change the fact that the market was overproduced. There's no valid

reason for spruce prices to be up."

For many pro dealers, however, the future remained far more uncertain than anything else. "I don't even know what the impact [of the hurricanes] is going to be 60 to 90 days down the road," Phillips of Contractor Yard said. "We're in some uncharted water in my opinion." ■

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