

STRUCTURAL BUILDING COMPONENTS MAGAZINE (FORMERLY WOODWORDS)

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"Buying from a Broker" by Brian Walker

Recently, I was asked to write an article stating the benefits of buying lumber through an office wholesaler. Since I started in the wholesale lumber business in 1983, there has been talk of my industry becoming a dinosaur. Will the middleman survive with all the advances in the information highway?

The decision of when and how much to buy can be gut wrenching for a purchasing agent. Lumber comprises 40-50 percent of the cost of a truss. Therefore, a purchasing agent needs to make critical buying decisions based on current market information. With the advent of the fax machine and the introduction of email, it appears that scanning a few papers and pushing a couple of buttons could give a purchasing agent access to all the necessary information needed to make these decisions. This may be true, but the amount of information isn't the issue. This industry is saturated with information. What matters is how this information is interpreted and then put to use.

Purchasing agents don't just "buy lumber," they handle production concerns, coordinate delivery schedules and handle personnel problems. Gathering and analyzing market information is very time consuming. This is where the benefits of an office wholesaler come in.

Office wholesalers spend a major portion of their time doing both of these things. They use both technical and fundamental analysis to help determine the direction of the market. Technical analysis incorporates the use of charts and graphs while fundamental analysis uses current economic conditions, weather issues, etc. Through this analysis they can supply the customer with a composite of market information. This composite is a consolidation of everything that is presently occurring incorporated with historical trends.

Customers benefit from not having to invest their own valuable time reading every publication, analyzing every chart or spending an inordinate amount of time on the Internet. One phone call to a wholesaler and they can receive a complete market synopsis.

Along with current market information, office wholesalers potentially have all the information that a producer publishes. Be it price, grade, species, availability, tally, etc., customers can obtain information in the areas most pertinent to their needs with one phone call.

By providing the best information available, wholesalers benefit both themselves and the purchasing agents as well. If we obtain the best prices, necessary tally and appropriate ship

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times, we can create a more competitive, efficient operation for customers. This should translate into more product sold, which in turn means more lumber required. This timesaving service is valuable to purchasing agents in a truss operation. Purchasing lumber doesn't always involve buying a generic tally or the standard two-weeks-or-sooner shipment. Often specific tallies are needed along with a specific delivery time. Office wholesalers can normally provide this service from their on-ground inventory or provide a direct shipment from a number of different producers. Lumber may also be traded among wholesalers to accommodate specific needs. If you call any wholesale company they will have the ability to meet your lumber demands through a variety of avenues. Wholesalers offer flexibility in purchasing you can't get anywhere else.

Office wholesalers can settle a claim quickly and efficiently. In the unfortunate event you have a claim because of quality or incorrect grade, etc., it's important that it gets addressed immediately and doesn't go stale. Facts become distorted over time and it becomes more difficult to reach a reasonable settlement. Every office wholesaler understands the proper procedures involved in handling any type of claim. Once the customer presents his or her claim to the office wholesaler, it is then possible to move on to something else. The wholesaler will take care of the claim with the other parties involved. Office wholesalers can save you time and money in the event of a claim.

Office wholesalers offer price protection as well. Forward pricing uses the futures market along with speculative purchases either via mill direct or through on-ground inventory. If the market starts to move up, the office wholesaler should be able to provide product below current market levels. A wholesaler's reload facility serves a number of purposes, the two most critical being price protection against strong upward market moves and reduced capital exposure for the customer from having to carry less inventory. This will create cost benefits throughout the year.

"Cheap" is a relative term when it comes to lumber. If that cheap car or truck of lumber is late or is the wrong grade or tally, substitution occurs in a number of areas, which transforms that cheap load into an expensive problem. Wholesalers and their experienced traffic managers are a valuable aid to truss operators by expediting rail and truck shipments as well as assisting in freight claims.

All the benefits offered by the office wholesaler come from the relationships developed not only with the customer but with producers as well. Regardless of how technical this industry becomes, we will always thrive on personal contacts. My biggest accomplishment over the years has been the relationships I have developed with both the customers and producers alike. What started as business relationships have turned into personal friendships in many instances. Once my customers are convinced that I have their best interest at heart, the relationship escalates from there.

Every load of lumber I sell is intended to satisfy every aspect of that purchase. Every mistake I make, I do my best to correct. My number one concern has always been the satisfaction of my customers. This industry was built on relationships and still relies heavily on them. Maintain that valuable relationship with your wholesale lumber provider, he or she is probably saving you more time and money than you realize.

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