

HAYES: Reader shares memories of Don Hayes

Continued from Pg. 4

That pace continued for the next several years. By my estimate I must have drawn over 400 houses for Ricci Homes.

We developed a system of providing plans for the homeowner at no upfront cost, construction estimates, guidelines to follow in getting a building lot, financing, and a building permit. When the potential new homeowners had trouble with financing, Don showed them how to use "sweat equity" and other methods to get into their new homes. Of the hundreds of house plans we produced, I can think of only a very few that took our information and went with someone else. Our system was hard to beat.

Over those years I was always impressed at how creative Don was at adjusting to changes. During the early 70s and the fuel crisis, building slowed down. Those people building houses were looking for energy efficient homes. We were quick to go to better windows, thicker walls, weather stripping, thicker insulation, and other ways to conserve energy including better heating units. We didn't invent the systems, but incorporated them into our designs.

Solar roof panels were the trend for only a couple years. The industry soon

found out that their cost did not justify the expenditure and passive solar design was incorporated into house planning.

With the encroaching of the large box lumber stores, a number of local lumber yards were forced to go out of business. Don countered by offering more personal services such as free delivery and technical services. Most of us have gotten lost in those stores looking for one thing or another, or trying to find someone we could ask about a product. Not at Ricci.

I retired from the Air Force in 1979. I had designed quite a few commercial projects with an engineer and an architect. At Ricci Homes we had several houses built and still vacant. The interest rate was climbing. Don introduced me to the Boston Architectural Center (the BAC) and strongly encouraged me to attend. Most people don't start a five year college program in their forties, but Don convinced me that the interest rate increase wouldn't last forever and what else would I be doing?

I had four children, just starting college one after another. It would have been easier for me to just hang it up and get a job somewhere. A number of my retiring officer friends were not getting any replies from as many as 200 resumes sent out. One of my

friends started selling a popular pyramid brand of cleaning supplies. I was buying my second quart a month later from him. When I asked how he was doing, he said "...counting the one I sold you last month and this one, I've sold two quarts!" That was enough for me. I enrolled at the BAC.

I don't think I could have made it, but Don was always there encouraging me. He even offered to pay for my gas! It was a 114 mile round trip, three nights a week, for four and one half years, with no time off for summer vacations!

Getting my license as an architect was just about as much fun. I was able to use my work at Ricci Homes as a required three year internship (plus other work in architect's offices). It was another six months of studying for the exams, seminars in Boston and New York, practice tests, then a four day exam. I passed first try.

The interest rate continued to climb. Construction was slow. Jobs were few. But my kids got off to college one way or another—hey, how could they whine about school when their dad was going nights and working to support them days at the same time?

My wife, Laura, and I are still in our

old house in Greenland. Twenty-seven years ago, I asked Don to take a look at the old heap. It was ready for a dozer. Five minutes after we were inside, Don looked at me and told me that if I didn't buy it, he would buy it that day. We bought it that day. He was right.

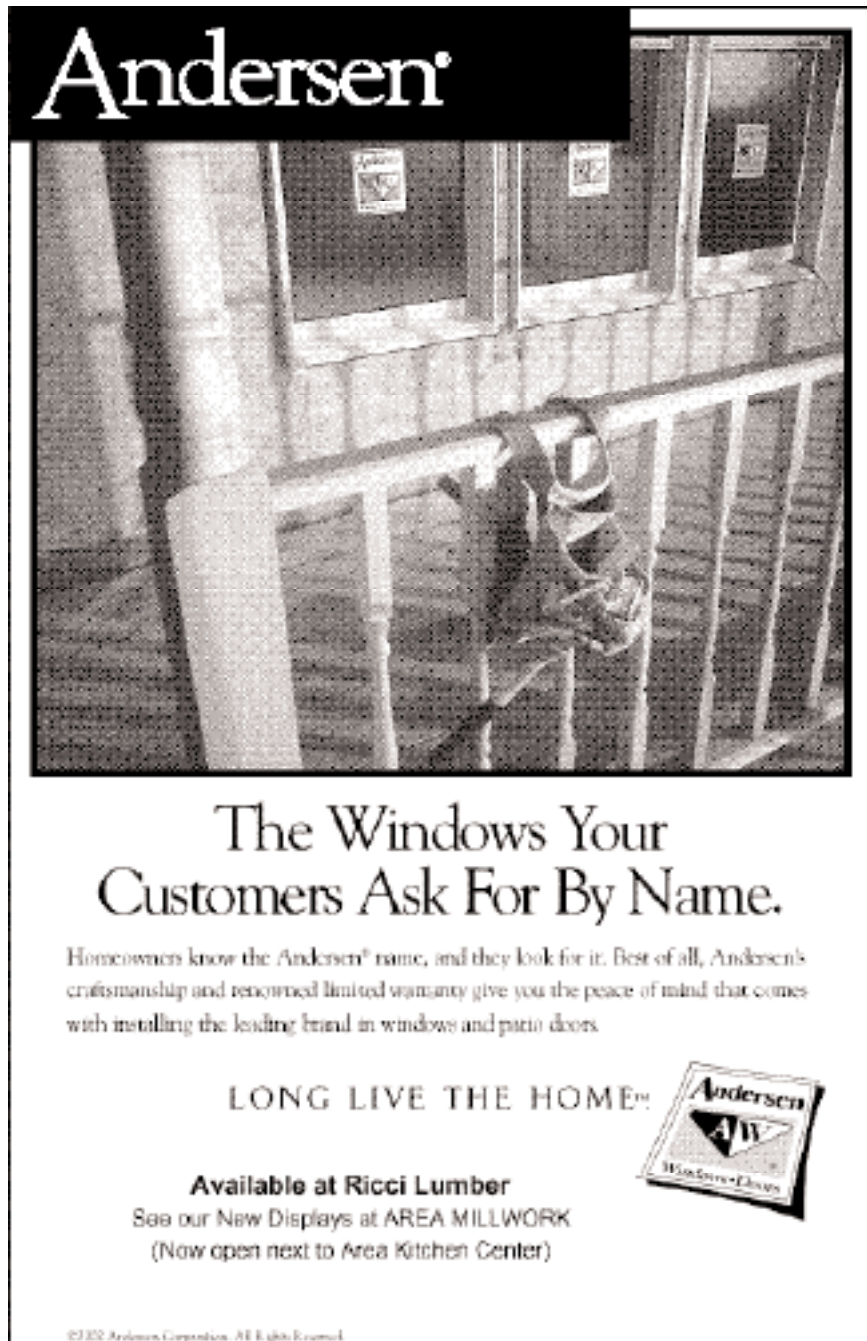
Two of my favorite projects in Portsmouth are the huge renovation putting a second floor on the old Ricci Supply building. The second is when Don called on me to redesign and rebuild after the fire in 1991 rather than take the insurance money, close down and move out. He had compassion for his employees and customers. Within a day or so, he had a temporary store set up in trailers on the parking lot.

Many of us have benefitted in not losing Ricci Lumber.

I have always been able to count on Don as a friend as well as getting me into school, getting me into our house, and many other personal things.

Ed, your letter in the Ricci Lumber Gazette profiled a very unique individual. I can concur as I witnessed him up close these past 30 plus years.

Dell H. Fox, Architect AIA



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In Memoriam

Gene Heal, 75

45 years of service to Ricci Construction

HAMPTON FALLS — Gene Heal, 75, of Hampton Falls passed away on October 9, 2003. A US Air Force veteran, Gene was hired by Papa Ricci to work as a heavy equipment operator on Christmas Eve, 1952. He worked at Ricci Construction for 45 years before retiring in 1997. Gene was a gentleman in the truest sense of the word. He also was a loyal and devoted father, husband, and friend. All of us here express our condolences to Gene's family.

TAXES: New Jobs and Growth Act has benefits

Continued from Pg. 4

personal property purchased and placed in service during the year, said the accountants. The new \$100,000 amount is four times the prior law's \$25,000 ceiling.

Additionally, the maximum annual expensing amount begins to phase out dollar-for-dollar only where the business or practice places in service during the tax year expensing-eligible property in excess of \$400,000, doubled from the previous \$200,000.

"These major expensing liberalizations mean that most small businesses and practices, and even those of moderate size with modest capital equipment needs, will be able to claim a full deduction for the cost of their business machinery and equipment, thereby reducing their effective cost for the assets," the accountants said.

Ed Hayes, president of Ricci Lumber, said that the tax news could make a world of difference for some construction businesses.

"If you need to buy equipment or tools, especially if you have a good year, this [tax break] could be a good way for tooling up for next year," he said.

Another new tax break is the bonus first-year depreciation allowance. The Jobs and Growth Act gives enterprises a 50 percent

bonus first-year depreciation deduction for most capital assets (other than buildings) acquired new after May 5, 2003 and before 2005. Qualifying new capital assets generally must be placed in service before 2005.

"The bonus 50 percent first-year write off means that an enterprise can recover more of the cost of a business asset in the year it is placed in service," the accountants said.

Another tax break included in the new act could affect the car you drive, the accountants at Hodgon, Wilson & Griffin said. Under the new act, the "luxury auto" dollar cap for the year a new business auto is placed in service is increased by \$7,650 for a passenger auto that's otherwise eligible for bonus 50 percent first-year depreciation. For 2003, this will result in an allowable first-year write off of about \$10,710 (the final figure hasn't been released by the IRS yet). The passenger auto must be used more than 50 percent for business.

"You could write off a new pick-up truck. It is quite a big incentive," said Hayes.

To take full advantage of the Jobs and Grow Tax Relief Reconciliation Act of 2003, business owners are advised to talk over their plans with their accountants.



Ricci Lumber Gazette

NEWS FROM THE RICCI LUMBER COMPANIES

Building stores with style

Malt House Construction company specializes in retail spaces, tenant fit-outs

PORTSMOUTH, N.H. — Sandy Dewing of Malt House Construction said the secret of his company's success rests with his employees.

"I have a really good group of guys," Dewing said. "Some of them have been with me for 10 years."

Which is not bad for a company founded almost 14 years ago. Dewing, along with his business partner Gary Dziama, founded the company in 1990 after they decided they simply didn't want to work for anyone else anymore. Dewing, who has been involved in the building trades industry since he was 18, said he enjoyed the diversity of the industry, the fact there was always something new and different going on. So it was only natural for them to start their own company, which today is headquartered at 95 Brewery Lane in Portsmouth.

Malt House Construction offers high-end tenant fit-outs and construction of retail stores. As general contractors, they do everything from the frame up to the floors and roofs. They also provide sub-contract labor for when other contractors need an outfit that can do large frame jobs.

The company offers its services in the Seacoast region, where there is no shortage of work. Dewing said the company usually has three or four jobs going on at once, and recent projects have included a Sketchers shoe store and work at the new Greenland School. They recently finished Lord's and Lady's Hair Salon, and right now they are doing work



FROM START TO FINISH:

Malt House Construction is known for high-end tenet fit-outs and construction of retail stores. The company worked their magic at the Lord's and Lady's Hair Salon in Portsmouth (top). The Malt House Construction team begins the transformation of a blank space into a new store.



for Gary's R.V. in Chichester, N.H.

With all of the work that Malt House Construction undertakes, it is no surprise that the company finds all manner of building supplies, tools, hardware and more at Ricci Lumber. Dewing said Ricci was especially valuable to his business because they are always there in a pinch.

"Usually when I'm in a panic and it's

the last minute, Ricci can get me what I need," he said. "Stores are pretty fast-paced, and Ricci is pretty good at getting me what I want."

Dewing said he enjoyed working with his salesman, David Burns, as well as the entire staff.

"Everyone over there is really nice and cooperative and helpful," he said.

Friend of Don Hayes commends column

By ED HAYES
ehayes@riccilumber.com

PORTSMOUTH -- Ed Hayes recently received a letter from a friend of his father's. The friend, Dell H. Fox, complimented him on the recent column, in which

Hayes conducted an interview with his father, Don Hayes. The column ran in the June/July issue of the Ricci Lumber Gazette. Fox also took the time to share some of his own memories of Don Hayes. Printed below is that letter.



HAYES

Dear Ed,

It was fun reading your recent article about your father.

Your father and I go way back. We first met during night courses at Pease over 30 years ago while both of us were working on our degrees from UNH. I was in the Air Force. I found out that Don ran the lumber yard.

A lot has happened since that time. On one of our hallway breaks, I casually asked Don if he ever had people come into Ricci Lumber wanting someone to draw house plans. Did he ever! His designer had moved, and that week he gave me five or six houses to design!

Builders may benefit from tax act

PORTSMOUTH — Before you know it, tax time will be here, and for some of you, that may be good news.

With the Jobs and Growth Tax Relief Reconciliation Act of 2003, small business owner, including contractors and builders, are in a good position to reap some major benefits when the 2004 tax season rolls in.

According to Hodgon, Wilson & Griffin Certified Public Accountants, P.A., of Portsmouth, who count Ricci Lumber among their clients, the Jobs and Growth Act signed into law this past summer contains key provisions meant to encourage

businesses and professional practices to buy more machinery and equipment. More machinery and equipment purchases was seen as one means of helping to stimulate the United States' sluggish economy.

One provision is the "quadrupled maximum annual expensing amount," which raises the maximum expensing amount to \$100,000. Previously, a business or practice was generally allowed to deduct the cost of new machinery and equipment over a number of years through depreciation. Now a business can expense (that is, deduct immediately rather

depreciate over several years,) a certain amount of the cost of tangible depreciable



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Hit the marketing bullseye with a focused approach

By JACK MEEHAN
meehan@yellowsteel.com

We recently received a call from a contractor who wanted to know if he should buy some inexpensive radio spots from his local radio representative.

My first question was to ask why he was considering this, and the reply was, "It is cheap, seems like a good deal." Well, it led to a discussion about putting together a highly targeted marketing program, using focused marketing strategies that will yield higher, measurable results. Sounds pretty simple, yet 90% of contracting firms don't do it!



MEEHAN

Why spend money advertising to consumers who have no intention of buying? There are many targeted and effective ways to talk to the consumer who has a buying inclination. You are better off buying a very targeted list of homeowners who fit a demographic profile that matches the services you offer and mailing them frequently. Have your sales group make follow-up phone calls to

set appointments. Your mailer should have the following essentials to be successful:

n A compelling headline. For example, if you are promoting windows, lead with a headline that will get their attention immediately. Look at the newspapers and magazines today, they have perhaps one second to get your attention, and they do it with a strong and interesting headline. "Maintenance Free" and "Energy Savings" are too common, how about "Local Homeowners Save Money On Heating/Cooling Bills". Draw the consumer in with a harder hitting headline, something unique.

n A call to action. Every consumer wants to feel like they bought the best product available and got a good value for their money. Mix up your offers and see what works best. A strong variety of 'sales specials' will let you measure what works best in your market.

If you do decide that radio is the right method to build your brand and reach your audience, make sure you understand who your customer is and find the right radio station to target that audience. Once again, spend your money where your potential customers are. Check out the style of music (Classic Rock, Contemporary, Classical), which one fits your audience best. Then find out when they are listening, you can buy

inexpensive spots, but they run at off hours. You might be better off saturating one or two days a week where listenership is high, then expand the buy as you have success.

I guess the moral of this story is to spend your marketing dollars where you are going to be able to measure the results and increase your effectiveness. Not every deal is a good

NAHB says condo market strong, rental market better

Optimism in outlook for next six months jumps

the impact of both the 'jobless recovery' that has slowed household formation, and strong home sales driven by extraordinarily low interest rates," said Ron Terwilliger, managing partner of Trammell Crow Residential and chair of NAHB's Multifamily Leadership Board.

WASHINGTON -- After several quarters of deteriorating market conditions, the number of multifamily developers who are optimistic that demand for apartments will improve over the next six months surged, according to results of the National Association of Home Builders' Multifamily Market Index (MMI).

"Despite the current slow demand, however, multifamily properties continue to provide acceptable returns relative to other real estate investments," he said, "and we expect to see healthier conditions returning by the latter half of 2004."

The MMI, which gauges builder sentiment about current and future market conditions, registered almost an 8 point gain for market-rate apartments and a 6 point gain for affordable apartments between now and six months out.

Low interest rates appear to have contributed to the strong consumer interest in for-sale condominiums, the one segment of the multifamily market that has shown strength on the demand side over the past several quarters.

For current conditions, the index stood at 38.1 for market rate apartments and 42.8 for affordable apartments, while the index gauging expectations for the next six months was 45.9 and 48.9, respectively.

According to the MMI, apartment developers expect that strength to continue over the next six months. In fact, more than 10 percent of MMI survey respondents indicated that they are planning to convert some existing rental units to condos in the future.

This gain provides reason for optimism, but shows the overall outlook for the apartment market is still weak, as any number below 50 indicates that more apartment builders view conditions as poor than good.

"The condo/for-sale component of the market for new multifamily units continues to perform relatively well," noted NAHB's chief economist David Seiders. "Furthermore, multifamily producers and managers foresee stronger rental market conditions six months down the line, based largely on expectations for higher home mortgage rates and a stronger job market."

SPECIAL CONTRIBUTORS

Linda Leigh Francis Inc.
Redwood Valley, CA
E-mail: lfrancis@pacific.net



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HOOKS


By *Phil Rea*

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Housing sales set another record high in August

COSTA MESA, Calif. — With mortgage rates moving up above 6 percent in August, buyers acted quickly to purchase new and existing home sales before rates jumped much further.

Sales of existing homes set another record high in August, registering a seasonally adjusted annual level of 6,470,000 sales, which tops the previous year by more than twenty-one percent. Though the total inventory of homes for sale increased, the relative months of inventory remained at a healthy level of 4.6 months. Despite the robust sales pace, the median price of an existing home dipped to \$177,500, but marked an 8.4 percent increase from a year earlier. As the average 30-year fixed mortgage rate moved higher in August, the affordability ratio slipped to 51.4 percent. As mortgage rates eased in September and into the beginning of October, the Purchase Mortgage Application Index held near the 400 mark for much of the period, indicating that home sales are expected to carry on at a robust pace in the near term. New home sales reached 1,150,000 in August, not only representing a 3.4 percent

increase from the previous month but also rising 12.2 percent higher than a year ago. Amid strong sales levels, builders have been able to keep a tight hold on inventory, which held steady at a low 3.7 months of supply during August. With mortgage rates moving up in August, homebuyers' purchasing power was crimped slightly, which drove the median price of a new home down to \$184,500 and the affordability ratio down to 49.7 percent.

With offices nationwide, Meyers Group is the residential homebuilding industry's largest information provider on new home projects, land development and real estate consulting services. Our desktop and Internet products provide the most current primary data available anywhere in 75 major U.S. markets. Meyers Group has a staff dedicated to the analytical review of economic and housing data. See exclusive new research and analysis on the residential housing and construction market only at www.MeyersGroup.com.

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Why should you enter an awards competition?

NARI's tips for making the most of your next award

Des Plaines, Ill., July 31, 2003 --- The National Association of the Remodeling Industry, (NARI) "The Voice of the Remodeling Industry"™ and organizer of the annual Contractor of the Year (CotY) Awards, offers contractors tips on how to maximize the benefits of awards they've won:

n Display the award logo in promoting your business on business cards, letterhead, sales literature, newsletters and website

n Showcase your award in your showroom or office, at local consumer home shows.

n Write up a case study telling how and why you won your award and make it available on your website. Include your case study in a client newsletter or make it a basis for a news release to local and trade media.

n Produce a brochure that highlights before & after photos of award-winning projects.

n Hire a photographer at least for your "after" photos. When promoting your project, professional pictures are more

likely to make it into newspapers and magazines, and depending on the media's needs, on magazine covers. For those potential magazine covers, don't ignore those vertical shots – they're much easier to translate into a magazine cover than the horizontal photos.

NARI President and multiple CotY Award Winner Mark Brick, CR, CGR, said this about using awards in your business:

"Winning industry recognition for your achievements will undoubtedly have a positive impact on future business relationships with both your customers and suppliers, and will boost the morale of the people involved in making your company and its partners a success.

The CotY Awards and other industry awards give recognition to remodeling contractors for those projects they have developed with pride, innovation and commitment. In addition, winning an award spurs some of the most valuable marketing available - word-of-mouth marketing, commonly known as 'buzz.' "

You don't have to be a "big" company to enter. Most awards competitions have categories that run the gamut of price ranges and project size. Preparing an entry and attending the award ceremonies are also an opportunity for others to get to know your business better and for you to get to know other people in your industry.



DATES TO REMEMBER

Building Systems Councils Showcase November 2-5 The Homestead Hot Springs, Va. Information: www.nahb.org	1st Annual Industry Summit Conference January 29 - 31, 2004 Little America Hotel, Salt Lake City, Utah Information: 800-525-1009, ext. 15
Metalcon International 13th Annual Conference & Exhibition for the Metal Construction Industry October 29-30 Tampa, Fla. Information: 800-537-7765	Northeast Retail Lumber Association Show Feb. 5-7, 2004 World Trade Center Boston, Mass. Information: 800-292-NRLA
International Pool & Spa Expo November 5-7 Morial Convention Center New Orleans, La. Information: 800-869-8522	Home Building and Remodeling Expo Show February 6 - 8, 2004 Colorado Springs, Colorado Information: 800-374-6463
NAHB State & Local Government Affairs Conference November 6-8 Hyatt Regency Wichita Wichita, Kan. Information: www.nahb.org	The Baltimore Home Building & Remodeling Show February 6-8, 2004 Baltimore, Maryland Information: 800-374-6463
Custom Builder Symposium November 14-16 Orlando, Fla. Information.: 800-368-5242, ext. 8338	Home Improvement Show March 5 - 7, 2004 Indianapolis, Indiana Information: 800-374-6463
Luxury Kitchen & Bath Collection November 20-22 The Metropolitan Pavilion New York, N.Y. Information: 972-536-6391	2004 NAHB Multifamily Pillars of the Industry Conference March 28, 2004 Palm Springs, Calif. Information: www.nahb.org
StonExpo 2003: Trade Show, Marble Institute of America Convention December 4-6 Georgia World Congress Center Atlanta, Ga. Information: 740-869-9990	2004 Seniors Housing Symposium April 14-16, 2004 Hyatt Regency Chicago Chicago, Ill. Information: www.nahb.org
The International Builders' Show Jan. 19-22, 2004 Las Vegas Convention Center Las Vegas, N.V. Information: (202) 266-8111 or 800-368-5242, ext. 8111	2004 Building Systems Councils Showcase (Trade Show) October 31, 2004 Austin, Texas Information: www.nahb.org
	2004 Custom Builder Symposium November 12, 2004 Indian Wells, Calif. Information: www.nahb.org

What's more, we all like to be recognized for a job well-done. Entering into and winning an award is a great morale-booster for your team. NARI, for instance markets its CotY Award winners heavily both internally and externally.

Find more information online about NARI's CotY Awards program at www.remodeltoday.com/level2/awards/. The deadline for entry into the 2004 CotY Awards is Dec. 1, 2003.

The remodeling market, a \$163 billion industry in the U.S. in 2002, is projected to grow to a \$214 billion or more in 2003. During the first quarter of 2003 alone, remodeling spending rose 6% from the fourth quarter of 2002 to \$119

billion. It is estimated that more than a million homes per year undergo major renovation or remodeling.

NARI is a professional association whose member companies voluntarily subscribe to a strict code of ethics. Consumers may wish to search www.RemodelToday.com to find a remodeler who is a member of NARI.

For more information about NARI's awards programs, contact Tracy Spears at NARI National 800-611-6274.

For more information about becoming a member, contractors and suppliers can call the NARI National hotline at 800-611-NARI and ask for Erika Ramdani, membership services coordinator, or visit

Plywood prices spike

EUGENE, OR. — A record-setting housing market, Hurricane Isabel, Canada forest fires and U.S. rebuilding efforts in Iraq are being blamed for diminished plywood supplies, sharply pushing up prices around the U.S.

The composite market index price for panel wood products as of Oct. 10 was \$557 per 1,000 square feet, compared with \$249 last year, according to Random Lengths, a wood industry publication based in Eugene, Ore.

Depressed prices from the previous two years had already cut production by about five percent, which is fairly significant in a commodity market, said Shawn Church, editor of Random Lengths. Then in September, homeowners boarded up windows to protect against Hurricane Isabel. Fires in British Columbia shut down a lot of mills and an order for about 24 million square feet of plywood by the Defense Department for troops in Iraq further drained supply.

The strong housing market, however, is one of the biggest factors in the run-up in OSB and plywood prices, experts said.

"All of this masked a very strong housing market, a building market that was gearing up for a big year, its biggest

ever," Church said. "There just has not been enough supply to take care of that."

The National Association of Home Builders says new home sales rose 3.4 percent in August, the second-fastest monthly growth on record.

At this point, the plywood and oriented strand board markets are still under-supplied. Church said mills continue to have fairly lengthy order files that could take some into November, and still others into December, even. Yet those order files are getting shorter every day, he said.

While Church declined to forecast what the market would do next, he did say that the history of the market would suggest that prices are now at their peak. With winter coming, and the season's subsequent decline in building activity looming, he said the factors would suggest that plywood prices should start sloping down to that "historical range" the market has supported over the long term.

"I don't think there is any doubt that at some point we're going to have a correction and prices are going to come back down," he said.

However, he added, anything could happen.

Meanwhile, some parts of the industry are looking toward a future where



DIMINISHED PLYWOOD SUPPLIES have forced prices for the building materials to soar to record heights over the last several months.

plywood prices could remain high. For instance, the National Association of Home Builders Research Center has been studying such alternatives as fiberboard,

gypsum, cementitious board, fiber cement, foil and paper faced insulative board, foam insulating sheathings, and wood boards.

Builders applaud NAFTA lumber ruling

WASHINGTON — A ruling last month by the North American Free Trade Agreement (NAFTA) calling on the International Trade Commission (ITC) to reconsider whether the domestic lumber industry faces a threat from Canadian softwood lumber shipments is good news for American home buyers and lumber consumers, according to the nation's home builders.

"In May of 2002, the ITC ruled that the U.S. lumber industry was threatened with injury by imports from Canada. That action triggered 27 percent tariffs on Canadian lumber imports which have harmed housing affordability, American home buyers, renters and consumers," said Bobby Rayburn, first vice president of the National Association of Home Builders (NAHB) and a builder from Jackson, Miss.

The 115-page NAFTA decision essentially states that the ITC did not provide adequate explanation or support for its finding that the domestic lumber industry faced a "threat of injury" from Canadian softwood lumber

imports. The ITC now has 100 days to reconsider the case.

In issuing its ruling, the NAFTA panel said that the ITC "made its threat determination on the basis of considerable speculation and conjecture," and the NAFTA panel noted that it "is particularly troubled by the extensive lack of analysis undertaken by the Commission of the factors applicable to a determination of whether there is a threat of material injury to the domestic softwood lumber industry."

"Today's NAFTA decision ordering the ITC to revisit the issue follows similar rulings by the international trade body stating that the current countervailing and anti-dumping duties on imports of Canadian softwood lumber are based on invalid calculations that Canadian producers are subsidized," said Rayburn. "The ITC now has an opportunity to objectively review the facts and make the right decision - that allegations of alleged Canadian subsidies has no merit, and that Canadian trade practices offer no threat of injury to the U.S. industry."

A new ruling by the ITC affirming no threat of injury would result in the elimination of the lumber tariffs. However, if the ITC were to uphold its original "threat of injury" ruling, NAFTA would then have three choices: affirm the ITC decision, order the ITC to reverse its ruling or once again compel the ITC to reconsider the case.



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Tips on how to handle that annual bonus dilemma

By LINDA LEIGH FRANCIS
lfrancis@pacific.net

The holidays are right around the corner and with them an annual dilemma. What do I do about Christmas bonuses? Should it be a ham or a turkey? A big party with gifts? A year-end cash bonus? Who gets how much? What will one employee think if they get less than another employee? Hey! Let's just ignore the whole thing and hope it goes away!



FRANCIS

When business owners broach this topic, some experience frustration that borders on anger. They try to be generous and fair, only to have their efforts slap them in the face. They see their employees expecting the annual gift and then complaining at the level of generosity. Many also have to struggle with the idea of bonuses, not only at Christmas, but throughout the year.

A major cause of this frustration is that employers and employees don't know how to think about bonuses. For example, some employees think of bonuses as gifts, rather than something earned. While working for a framing contractor, I interviewed one of his foremen. I asked whether he had gotten any bonuses. He said that he'd received

\$1000 several months before. I asked what he had done to earn such a generous bonus. He replied, "I don't really know, but I wish I did, so I could do it again!"

When employees don't know why they receive a bonus or come to expect one as a right, the employer has incurred an expense without reaping any benefits. To benefit from giving bonuses, one has to think about bonuses as rewards for specific achievements. Accordingly, a business should develop a bonus program that clearly describes the level of achievement that will earn rewards.

The goal of such a bonus program is to focus your employees' attention on making the company stronger and more successful. A good program:

1. Has clear goals that draw people into the process.
2. Relies directly on employees' efforts to meet the goals.
3. Achieves the goals through a team effort.
4. Gives frequent feedback on progress.
5. Gives the employees the required knowledge and training to meet the goals.
6. Has achievable goals that require effort to reach.

For example, a business' annual plan will have a sales goal and a gross profit margin goal. Usually, the owner has the responsibility of hitting the sales goal. However, the owner AND the employee share the responsibility of meeting the margin goal. The owner must be successful at selling, bidding, and negotiating the job, and the employee must be successful at:

- n Getting the job done as scheduled.
- n Effectively managing materials.
- n Effectively managing people or trades.
- n Doing it right the first time.

Keeping this in mind, a company can create a powerful bonus program based on the company achieving its annual sales goal and then exceeding the margin goal for the year. (A clear goal) Exceeding the margin goal requires doing a good job on each job throughout the year. (Relying directly on employee efforts.) Jobs go best when there is a coordinated effort between the field and office. (Creation of a team effort.)

The owner should also share job costing figures throughout the life of a project and share the monthly status of annual sales and margins. In this way, people can see how well individual jobs, the company, and their future bonuses are progressing. (Frequent feedback.)

Remember, employees may require training on how gross profit margin is determined and training on how employees control the profitability of a job once the contract is signed. (Training and knowledge required to meet the goal.) Finally, the objective is to do better than the annual plan, with a portion of the increased profits shared as the company bonus. (An achievable goal that requires effort.)

Distribution of the bonus can be done in several ways:

1. Give everyone in the company an equal share.
2. Give different amounts based on seniority, by position, by number of jobs

or sales volume managed, or
3. Do a combination.

For instance, let's say there is \$6000 available for bonuses. Split \$2000 evenly between all the employees. Split \$2000 based on a combination of seniority and the level of responsibility. Distribute the final \$2000 based on attitude, special efforts, or other subjective criteria as determined by the owner.

This type of bonus program will insure that the company gets a bang for its bonus buck. It will also get everyone in the company excited about the success of the company. Fortunately, for your sanity, it will also relieve the annual dilemma of what to do about Christmas



FOR MORE practical advice on running your business, read Linda Leigh Francis' book, "Run Your Business so it Doesn't Run You", available by contacting Linda at (707) 485-0612 or lfrancis@pacific.net.

When closing a deal, assume the answer is 'yes'

By PHIL REA
info@phil-rea.com

Question: I have just started working for a remodeling company as a salesman. I have never sold anything before and have been following your Full Routine.

My boss is very happy with what I've done so far, but I know I can do better. I get confused as to which close I should be using in different situations. Is there a close that you recommend as perhaps a catch-all? Thanks for your help.

K.I., Indianapolis, IN



REA

Congratulations on entering the sales profession. You have entered a field and an industry where there are no limits on what you can achieve. You will never

Q&A

have to worry about the "Peter Principle," or corporate structures and politics. Just go out there, talk to folks, help them get what they want, and at the same time, get paid for it.

As you get more experienced in selling, you will be able to apply what you know much more effectively. Just like golf, I play, but I can't hook a ball where I want to, or slice a ball when I want to, or have it spin back on the green. I'm happy getting a few pars every round. The same is true for the new salesperson. You should be happy with your progress and thrilled that you are making sales. And yes, you will look back in a few years and wonder how you ever sold anything, knowing no more than you knew. But again, that is the beauty of selling. Often raw enthusiasm is good enough. I should caution you, however,

that many don't get better, and some of their best months are their first months. Those are the folks who think they know it all and don't work to improve their skills. "An amateur gloats over his success; a pro worries about his mistakes."

Now to answer your question. The one close I suggest you use on all of your appointments, regardless of the situation, no matter how badly you think you have done or how convinced you are that the prospect is not going to buy, is the assumptive close. Unless they tell you, "We are not interested, we don't want your product," wouldn't the safe assumption be that they do want your product? Of course it would, but do not make them ask you for it. Assume the sale until they tell you "no." Now, this is not as easy as it may sound. Few salespeople want to be rejected, so we think if we get them to say "yes," we won't have to hear them say "no." Hopefully that makes some sense to you. Most salespeople never get a "no." They get, "We will get back to you," or, "Let us think about it," and all those sorts of responses. But notice how few of those

folks ever do get back with you. Assume the sale, start filling out your paperwork, call your office to get a start date, do all those things that you need to do and keep doing them. The prospect will either follow your lead or eventually stop you and say "no." You will be pleasantly surprised how many will follow your lead if you have done a good job of presenting your product and services.

Don't make your prospect say "yes." That puts too much pressure on them. Assume the sale by using the assumptive close. If you leave with a signed agreement and a deposit, you've got a sale. You will be very surprised how many of those you will get without ever hearing a "yes." Trust me, you'd rather have a check than a "yes" any day!

Wishing you a successful sales career.

Phil Rea and Associates provides remote and on-site sales training and consulting services to the building and remodeling industry. More information is available at www.phil-rea.com or by calling toll free 1-866-441-7445.

Color offers a world of possibilities

By PAT MORETTI
pmoretti@riccilumber.com

Color.

Every waking moment we are bombarded with tones and shades that influence our day. Color can set a mood, lift our spirits or tell a person's feelings. Our world revolves around color.

Every day customers spend hours at our sales counter selecting the colors of siding, roofing, paint and stains to improve their home. Rarely does the quality of the product take as much time to select as the tints and patterns to decorate the home. 'Kitchen counters must accent the floor' and 'the floor should set off the walls' are common statements from shoppers. Designers fill the trade magazines with the hottest trends, all involving fashionable colors and designs. TV shows load the airwaves with do-it-yourself shows that make rooms dramatically change with a little paint and wallpaper. Patrons of your services are looking for this transformation, a revitalized living space that gives them a renewed sense of comfort.

So why is color so important? First and foremost, it tells a little story



MORETTI

about the person who displays it. From the beginning of time, color has been a status symbol, a way of separating the classes. The rich and powerful wore the brightest and richest colors, displaying their wealth to the masses.

Though today color is no longer used as a division of affluence, it does show our inner feelings to those who view it. Imagine a world of black and white with shades of grays mixed in. Or every car on the road the same color and every house in the town with the same paint job. A drive through the country on a fall day would be dreary if every tree was a platinum gray. How boring and uninteresting our days would be.

Look at the room you are sitting in

right now and think of why the colors were chosen for this room. Was it to lighten the room, give it warmth, brighten a spirit or create a mood? Whatever the reason, the person who selected it did it because it felt right to them.

The spice of life is variety, and the unlimited palette of colors available for the consumer is sure to add flavor to their project. Builders should encourage customers to use their imagination, but also take care not to get involved in that process. Your input might influence their choices, which could create ill feelings later should they not like the finished product. More times than not a homeowner will ask for help, only to hate the information they've been given. Don't comment, and don't give it the evil eye. It's their color choice and they will have to live with it or pay you to redo it.

Staying neutral is one of the hardest thing to do, but keeping your comments to yourself is sure to get you through the job quicker. Remember that once you pack your tools and collect the final check, you will no longer have to subsist with their preferences.

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RICCI EMPLOYEE SPOTLIGHT

KITTERY, Maine -- Carol Bryant, vice president and controller at Ricci Lumber, has served the company for 23 years. She started part time working in the accounts receivable department, and after six months moved to full time and did various clerical duties. In 1989, an opportunity arose and she became manager of the accounting department. She wears many hats at Ricci, serving her company with pride as the personnel manager, credit manager, computer contact and payroll specialist.



BRYANT

collecting accounts receivable to improve our cash flow.

What has impressed you most in the years you have worked at Ricci Lumber?

The family atmosphere. Ricci Lumber is a family owned and operated business. I have always been treated like I was a member of the family.

What do you think contractors look for in a lumberyard?

Good customer service is most likely the top of the list.

They also expect good pricing, on time and right place delivery, and to be treated with respect.

And what about your personal success ... what makes you successful?

Hard work and keeping a good attitude. I feel my best success is

What trends do you see in the building industry?

Service stands out. It's our customer service at all levels that sets us apart from one another.

What's next for Ricci Lumber?

Continuing growth. We have a niche here in Portsmouth. Contractors like everything we stand for: good customer service, good pricing and fast deliveries. In return, we hope to get contractors' loyalty to Ricci Lumber.

Sum up your understanding of what Ricci Lumber stands for in one sentence.

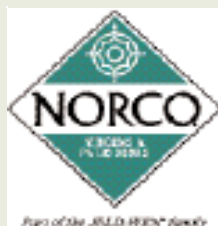
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Ricci Lumber Gazette

NEWS FROM THE RICCI LUMBER COMPANIES

ISSUE 9 OCTOBER/NOVEMBER 2003

Published by



The official newspaper of



A division of Ricci Supply Co., Inc.
105 Bartlett St., Portsmouth, NH 03801
Phone: 603-436-7480
Fax: 603-436-2194

Email: info@riccilumber.com or www.riccilumber.com

Published six times per year.

Distributed to contractors throughout the Greater Seacoast region.

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