

Private 100 Shelter Products Inc. *Lumber in its prime*

By Sean Meyers

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Providing oven-fresh lumber to the nation's hungry construction market is keeping business brisk for an old-time Oregon timber products company.

Shelter Products Inc. of Portland specializes in the most conventional of building products — plywood and framing lumber — but its computerized approach to inventory and delivery have made it one of a handful of national players in the market for direct sales to large-scale contractors and builders of apartment and condominium complexes.

Lumber has a shelf life of six months to a year, but is probably best one to two weeks after it's been cut. That allows the timber enough time to recover from the saw and not enough time to begin checking or warping, says Shelter Products Chief Financial Officer Kurt Hutton. "It's in the finest condition that it will be in and that's how the contractors want it."

Getting lumber to contractors the way they want it has allowed the Portland company to grow revenue dramatically, from about \$80 million in 2002 to nearly \$136 million in 2004. The employee count remained stable during that period, at about 75.

Operating on a national basis allows Shelter Products to ship lumber in its prime. To offer contractors the best prices, Shelter Products must buy its timber from mills around the country and the world. It buys from each of the four major North American timber producing markets — the Inland Empire, West Coast fir, Southern yellow pine, and Western and Eastern spruces. The company uses 58 storage and delivery sites in the United States to speed delivery, using truck and rail to get the timber to the job site.

That would be difficult enough in itself, but the construction industry is notorious for shifting its deadlines with little notice and even moving the job site when problems occur.

Failing to deliver the product to contractors on time can cost the company dearly. Most of Shelter Products' sales are in the six figures, and each year it fills nearly 20 orders exceeding \$1 million. A typical sale is for a multifamily project of 150 to 250 units. Such a job might require several months to frame, and some builders

require daily deliveries.

Multiply that by the 1,000 sales the company executes each year throughout the country, and you've got yourself a logistical nightmare.

"There is nothing worse than a construction site where you have 80 employees, and 70 of them are standing around, tapping their feet, waiting for a load of studs," says Hutton. "We don't operate that way."

Shelter Products' solution was a customized software program that allows each salesman real-time access to inventory, shipping and pricing information. Hutton, a computer consultant before joining Shelter Products, says the system streamlines the process to the point where a single salesman could handle \$10 million to \$20 million in annual sales.

The company's not to that point, but it does generate \$2 million in sales per employee, says Hutton. That efficiency allows the company to beat lumberyards on pricing, although large-scale builders are also looking for suppliers who can follow them around the country to various job sites.

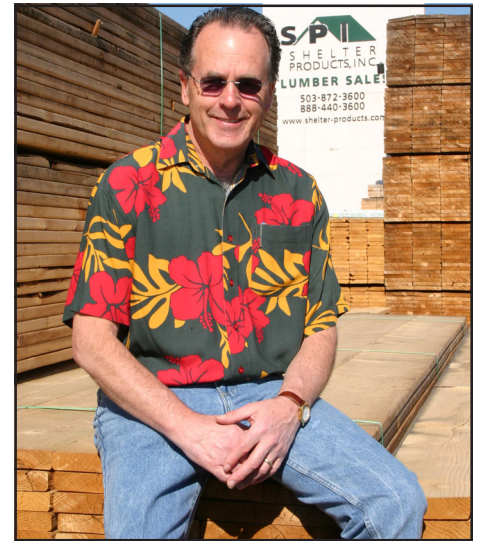
Shelter Products' growth is spurred by customer loyalty, a strong national construction economy and a sharp uptick in prices in the volatile timber market. The price of a stud can rise from \$3 to \$6 and then fall back to \$3 over a relatively short period, making it very difficult to guess what the price will be when it comes to fulfill the contract, Hutton says.

Another reason for Shelter Products' success is its very tight company culture, Hutton believes.

Shelter Products was purchased from Nor Pac by employees in 1998. Nor Pac had been in the business of selling timber to lumberyards for many years, and some of its customers were unhappy that its Shelter Products division was taking away business by selling directly to builders.

The split was very amicable, says Hutton. "All of our executives stayed and virtually all of our employees stayed. We have the exact same executive team that we did seven years ago."

The company splurges and holds three or four blowouts for employees each year, including a barbecue, reserved seating for the Rose Festival parade and trips on the Portland Spirit pleasure boat. The events are very well attended, says Hutton. "If you have a wedding, all the employ-



CHARLIE KLOPPERBURGER

Shelter Products CEO Bradley Mannellin wants to serve small builders that will grow.

ees are going to show up. You don't hold a wedding in a small facility if you work at SPI."

Shelter Products adopted a no-growth strategy for the first few years on its own, but that obviously has changed, says Hutton. "We wanted to be comfortable. About three years ago, we decided that we had settled down enough."

Some of its larger customers wanted the company to better serve its Eastern markets, so Shelter Products opened more distribution points.

Shelter Products is one of only a handful of U.S. companies that sell directly to multifamily builders on a large scale. Because of the volume of its sales, Hutton doesn't feel that they are directly in competition with local lumberyards.

"We operate in the range of \$250,000 to \$750,000 being a normal order for us. A small lumberyard might operate in the \$20,000 to \$50,000 range," Hutton says. The company also sells to builders of single-family homes, concentrating on projects that include 20 or more structures.

Shelter Products keeps a sharp eye out for builders with potential, he adds. "We sell to the smaller builders who are successful because we figure that when they go national, they'll take us with them."