

## **Prosales**

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**HEADLINE:** Upstream, downstream: as it adds new yards, Wheeler's is besting competitors by expanding manufacturing and installation services that support its distribution

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**BODY:** It took Wheeler's Building Materials seven years to snare Sean Doughtie's business. As co-owner of Atlanta-based Mayfield Homes, which builds 100 to 150 houses annually, Doughtie started purchasing building materials from Wheeler's in 2002, but only after the Rome, Ga.-based dealer dedicated "several" salespeople to his account, including inside and outside sellers and a truss salesperson. Now Mayfield orders between \$250,000 and \$400,000 each month from Wheeler's, which also installs siding, windows, and soffit for this builder.

"They are a great production-builder supplier, and their sales force is awesome" says Doughtie, who appreciates that he can draw products and services from seven of Wheeler's 16 yards located in markets where he builds.

Testimonials like Doughtie's give Wheeler's owners the confidence that their company's prospects for capturing greater market share among builders and remodelers are promising. To that end, they opened a yard in Madison, Ga., last October, and in February ventured outside of their home state to plant the Wheeler's flag in Charlotte, N.C., with a 30,000-square-foot location on 6 acres. Chattanooga, Tenn., could be their next target, to replace a yard in Cleveland, Tenn., where Wheeler's relinquished its lease a few years ago.

Mark Manis, Wheeler's CEO and co-owner with his brother Jim, the dealer's president, says they're looking to enter "major markets" throughout the Southeast and "fill-in" markets around Atlanta. But the Manises aren't obsessed about adding yards, and their business model is designed to enhance Wheeler's distribution by expanding manufacturing and installed sales support. In 2005, installation accounted for 20 percent of the dealer's \$229.5 million in sales, and the division processed more than 4,000 invoices. "Wheeler's is the most aggressive dealer around here when it comes to providing installation" says Skip Harper, owner of Marietta, Ga.-based builder Sansea Properties, which spent around \$10 million with the dealer last year.

Further proof of the company's commitment to enhancing value-added are the products it makes at four plants--trusses, wall panels, vinyl and wood windows, and doors--that accounted for \$55 million of its 2005 revenue, a 30 percent increase over 2004. "Manufacturing is finally starting to kick in" says Dan DeYoung, Wheeler's director of manufacturing, who joined the company in 2003 and almost immediately started reorganizing plant operations to make them more efficient. DeYoung expects manufacturing to increase at the same pace this year, and he and the owners are evaluating a list of 25 to 30 products to determine the next big thing for Wheeler's to produce and install. Once they figure that out, Wheeler's has 65 outside salespeople ready to sell it and a centralized sales center in Kennesaw, Ga., which Wheeler's opened in January 1999, through which all orders are processed.

Mark Manis' shorthand description of Wheeler's growth strategy is "upstream, downstream," which means that by vertically integrating its operations, Wheeler's is better able to "pass the baton to ourselves cheaper" than it would be by using outside providers. The way Mark and Jim see it, opening more yards means more work but not necessarily more profit. "In this business, once you get to a certain size, there aren't major economies of scale" Mark notes. On the other hand, both owners see gold to be mined from exploiting the "synergies" between distribution and the manufacturing and installation that support it.

### Entries to Growth

Even though Wheeler's hasn't added many yards over the past five years, its

manufacturing division's revenue increased, on average, 20 percent each year. In 2005, the company's 300 manufacturing employees produced 16 million board feet of structural components, more than 150,000 doors, and more than 200,000 windows, the latter of which translates into more than 500 windows per shift, compared to 50 per shift four years ago.

"We believe we're taking market share" from local competitors, claims DeYoung, which include formidable pro dealers such as Ply Mart and Stock Building Supply. "And because we're 'vertical,' we have more control over our fate." Wheeler's is already talking about opening another tress plant south of Atlanta by 2007, and a few years ago acquired Marietta, Ga.-based Peterson Products, a millwork distribution and manufacturing company. But it also has plenty of room to grow organically by maximizing its existing facilities, which are at 60 percent capacity for masses and panels, 40 percent for windows, and 30 percent for doors.

Both DeYoung and Jim Manis point out that, over the past two years, Wheeler's has streamlined the plants' chain of command, which now has supervisors--called "leads"--reporting to three area managers who oversee, respectively, customer service, production, and engineering. Area managers report to plant managers. In the past, rash orders or inventory problems had to be addressed by line workers. Now, though, there's more "administrative support" says Jim Manis, with an extra layer of management so the people on the line can do their jobs more efficiently.

The plants include a 140,000-square-foot window facility in West Rome, Ga., a former carpet yarn-blending plant that the dealer bought in 2002 and moved into in January 2003. Wheeler's had been churning out wood windows since 1949, but started gravitating toward vinyl products in the 1990s when it replaced wood trim with PVC, thereby making the exterior of its wood frames rot-proof. In 1999 it purchased vinyl window production equipment from Simonton Windows, and one year later started making its own products under the "Advantage" brand. That same year, Wheeler's also replaced its wood window shapes with PVC.

Currently, the dealer's window plant runs two vinyl production lines manned by 31 people, 70 percent of whom are cross-trained to work at different stations throughout the facility, says plant manager Jeff Starbird. The two lines can shift into assembling different window sizes and glass

inserts without having to stop and retool the machinery. Other areas inside the plant where Wheeler's investment in equipment is evident include its \$110,000 glass-cutting optimizer and a new method for bending vinyl (the specifics of which Wheeler's officials asked to remain confidential) that the company introduced in 2005 and is expected to save \$30,000 a year.

By moving window production to West Rome, Wheeler's doubled the space inside its headquarters manufacturing plant for the production and warehousing of doors to 100,000 square feet. DeYoung says this extra space allows Wheeler's to expand its breadth of lines and styles. "Special order is a very small percentage of sales in this market, but 'made to order,' which includes grille patterns and hinge types, is two-thirds of the business" he explains. The door plant stocks about \$1.2 million in inventory at cost but, like the dealer's other plants, carries no more than two days' worth of shipments.

Making doors is a pretty basic process, and this plant employs 35 people who work at seven assembly tables. But technology has crept in on the distribution side. For example, groups of doors are placed onto rotating pallets and shrink-wrapped automatically, which DeYoung says reduces damage and helps get more product onto delivery trucks. (Wheeler's two-steps all of its doors through its yards.) Within 18 months, Wheeler's intends to put bar codes on the labels of its doors to identify the customers they've been sold to.

Another 100,000 square feet inside the headquarters plant--a former textile mill dating back to 1929 that Wheeler's purchased in 1983--and a smaller plant in Cummings, Ga., are dedicated to the production of trusses and wall panels. Before Wheeler's got into truss making in 1998, Jim Manis visited 40 different operations for best practices. In its first year, the company sold less than \$1 million in trusses, but since then production has picked up to its current rate of about 65,000 board feet a day for structural components, or three-quarters of a day's worth of inventory. "When we build more than a day ahead of deliveries, we've gotten burned," explains Manis. The plants and some yards employ truss designers.

One idea Manis brought back from his sojourns was an assembly-line system called Auto-Set, where each station shows mechanical stops numbered for lining up the boards to jig out a truss. By using this system,

Wheeler's can train a new lineman in three weeks. This system also cuts down on production waste, says Manis. Additionally, Wheeler's recently started measuring its plants' fill rates against their inventories, and it plans to extend those measurements to jobsite fill rates later this year. But Manis and DeYoung note that the company's delivery efficiency is sometimes hampered by its difficulties in finding and keeping qualified drivers.

## Efficient Construction

Wheeler's officials expect installed sales in 2006 to sustain last year's 20 percent growth rate, and to boost component and millwork sales, particularly wall panels, which DeYoung admits are a "tough sell" in a cheap-labor market like Atlanta. "We'd almost prefer that [builders] buy panels installed," he states.

Jeff Siewert, construction manager for Acworth, Ga.-based Mercury Homes, planned to stick-build a 20-unit townhouse complex he's supervising in Douglasville, Ga. But he says Rick Ariail, Wheeler's director of installed sales with whom he has a longstanding relationship, "talked him into it." "If there's any kind of service issue, I know he'll fix it," says Siewert. What's more, "The size of the roof [on each building] would take one and a half times longer to complete if we weren't using trusses and panels," he says, estimating that the time savings on the project will be 25 to 30 percent.

Half of Wheeler's installed sales comes from framing, and Ariail, who has been with Wheeler's for more than 12 years, concedes that framing contractors need convincing that they can make more money using components because they'll build homes faster and reduce their product waste. "A repetitive house can be panelized in two and a half days," he says.

Ariail and his team of 17 territory managers promote installation as a value-added service for builders because "they don't have to chase down subs and only cut one check per project," he states. Janet Hollenbeck couldn't agree more. Her company, Hollenbeck Homes in Canton, Ga., started using Wheeler's to install siding five years ago; now "We use them for just about everything they install: framing, siding, decks, trusses, wall panels." Hollenbeck did \$500,000 with Wheeler's last year, and she says the difference between the dealer's service and hiring subs on her own "is huge." "Wheeler's stands behind its work and carries insurance" she says.

"Crews you hire might not be living in this country next year."

## Sounding Board

As installed sales expand, Wheeler's next challenge will be to "get our hands around the accounting," says the dealer's controller, Frank Bibb, "to assess which [projects] are more productive." Early goals include getting accurate job completion dates from the field into Wheeler's computer system and properly allocating overhead.

Productivity is a big deal for the Manises, a trait they trace back to their father, Wheeler Manis, who Mark says "worked 365 days a year, even on Christmas" at the company he founded, and their grandfather, Tom Manis, a saw miller with a third-grade education who nonetheless sent all his children to college and set up his four sons in businesses that included the lumberyard, a sawmill, a concrete plant, and a trucking company.

When Wheeler Manis turned over the company to Mark and Jim in 1986, he didn't leave a succession plan. "He pretty much told us to figure out who ran what," laughs Mark, although at the time it probably wasn't that funny. When the brothers assumed control, Wheeler's was getting half of its sales from homeowners, and got whacked, like many other independents, by the onslaught of The Home Depot. Mark says the warehouse giant actually did his company a favor by forcing Wheeler's onto the pro-only path it now travels.

That road hasn't always been smooth, which isn't surprising given the brothers' seemingly contrasting personalities. Mark, a former high school English teacher, is loquacious and extroverted; Jim is more reserved. But as sole owners--they bought out their sister in the 1990s--the Manises have struck a balance in terms of managerial responsibilities, with Mark handling distribution, legal, and credit while Jim oversees the company's manufacturing, infrastructure, and information technology. The brothers insist that, even as consolidation among pro dealers accelerates, they aren't interested in selling Wheeler's because they want to give their children the opportunity to run the business.

"What distinguishes Wheeler's from other family businesses is their commitment to work through their family 'complex' and move toward quick

resolutions of any problem," says Joseph Astrachan, director of the Cox Family Enterprise Center at Kennesaw State University, who has been a consultant to the Manises on family and business matters for more than a decade. At Astrachan's urging, in 1994 the Manises formed a seven-person board of directors that meets three times a year. That board includes three outside members who run family businesses, too: David Drees, CEO of Fort Mitchell, Ky.-based home builder The Drees Co.; Tom Wolf, CEO of York, Pa.-based distributor The Wolf Organization; and, until last December when he stepped down, Jack Foxworth, COO of Dallas-based Foxworth-Galbraith Lumber Co.

During his period on the board, Drees says he's seen the Manises become "a lot more open" about sharing information. And Foxworth says the board keeps the owners' decision-making focused. "when you have individuals wearing multiple hats--owner, shareholder, etc.--you can forget sometimes what constituency you represent."

Both board members and Astrachan agree that the Manises are, in Foxworth's words, "expert listeners" and regularly heed the board's advice, even when the brothers sometimes don't act as urgently as the board--or even some customers--would like in areas such as computerization or yard expansion. The Manises, at heart, are cautious businessmen. In December they still hadn't hired a new regional manager, after 18 months of interviewing. And Jim Manis says any diversification of its manufacturing isn't likely to veer too far from what Wheeler's makes already; for example, the company isn't interested in kitchen cabinet fabrication. "I don't see them taking a big risk or making a big investment here," says Foxworth. "Profitability is very important to them."--John Caulfield is a contributing editor for PROSALES.

Vital Statistics company: Wheeler's Building Materials \* Year founded: 1949 \* Headquarters: Rome, Ga. \* Number of locations: 20 \* Number of employees: 700-800 \* 2005 gross sales: \$229.5 million \* Pro sales percentage: 100 percent