



Building Products Co: Decking Line Turnaround

Phase 1 (of 3) with redactions

Recap: Project Plan

Phase I: Internal Assessment of CLIENT Decking

Key Activities & Deliverables:

- Discussions with CLIENT corporate team and other key constituents
- Review of sales data (including sales by product category, customer segments, and other important differentiating metrics) and key business documents
- Review sales and marketing materials, including training documents and sales scripts
- In-person or phone interviews with 5-10 CLIENT decking sales managers
- Phone interviews with 10 CLIENT decking customers

Phase II: Evaluation of Competitive Dynamics & Identification of Opportunities

Key Activities & Deliverables:

- 10 phone interviews with former employees of major decking comps
- 10 phone interview with customers along sales process
- Join 3-5 decking sales team members for ride-alongs
- Phone interviews with 3-5 industry decking industry experts
- Interview select roofing sales managers
- Assessment of how major competitors are sustaining sales growth
- Description of the unique selling proposition for CLIENT
- Diagnostic of competitive weaknesses for CLIENT competitors to exploit
- Identification and initial assessment of potential growth initiatives

Phase III: Initiative Assessment & Planning

Key Activities & Deliverables:

- Recommended decking growth initiatives to pursue based on a value / feasibility
- A strategy plan outlining the rationale for the high priority initiatives
- Development of a tactical execution plan to implement high priority initiatives, incl.:
 - Quantifiable major milestones for overall project success
 - “Work stream” sub-plans & owners for key areas of implementation
 - Timing for all milestones and deliverables required to achieve them
 - Identification of potential roadblocks and risks, with mitigation plan in place
 - Communications plan in place
 - Buy-in from CLIENT executives

 **Complete → Focus of Today's Discussion**

Executive Summary: Phase I

CLIENT Decking is in a challenging position

- Declining sales growth versus the overall REDACTED industry
- Very consolidated customer base, with top three distributors accounting for >50% of sales

Industry dynamics put pressure on CLIENT

- Demand for capped REDACTED cannibalizing uncapped, while CLIENT dependent on uncapped sales
- Manufacturers do not benefit from downstream railing margins
- Consolidation of major players with ability to invest heavily in sales reps and marketing
- Value placed on product innovation (perceived or real) where CLIENT has been lagging

Interviews with 22 customers (distributors, dealers and installers) reveal key themes

- Positive sentiment, with 100% of active customers planning to purchase CLIENT decking next year
- A trusted and well-respected CLIENT brand and a board with strong performance characteristics
- REDACTED sales driven by board performance, but REDACTED struggling to appeal to consumers

There are emerging opportunities for actionable improvement across the business

- Product: Fix REDACTED, update color palette, add mid-tier capped product, etc.
- Marketing: Invest in targeted marketing, close warranty gap, “consumerize” marketing, etc.
- Organization: Evaluate territory optimization, shift from commercial to consumer mindset, etc.

Agenda

Project Status

Executive Summary

Business Overview

SECTION REDACTED

Customer Feedback

Emerging Areas of Opportunity

SECTION REDACTED

- Product
- Marketing
- Organization

Next Steps

SECTION REDACTED

22 phone interviews conducted with CLIENT customers

20 active customers, 2 former customers

Distributors

Dealers

Installers

The “two-step” distribution model involves four constituent groups



Role & Profile

- | | Distributor | Dealer | Installer | Consumer |
|---------------------------|---|--|---|--|
| Role & Profile | <ul style="list-style-type: none"> • Only true customer • Generally loyal to one manufacturer (88% of those interviewed offer only CLIENT for REDACTED) | <ul style="list-style-type: none"> • Buy from distributor • Sell to both installers in BIY consumers • Carry wide range of brands • Prefer simple transactions | <ul style="list-style-type: none"> • Serve as influencer to consumer • Tend to have preferred brands based on experience, consumer feedback | <ul style="list-style-type: none"> • Ultimate end-user • Final decision driven largely by aesthetics • Wife’s perspective on deck appearance determines the buy |

Representative quote

“People like to work for the underdog, not just the big, giant behemoth.”

- Distributor

“The lumber dealer puts as little into the sales process as possible.”

- Sales Manager

“A good warranty and easy installation are very important to the contractors.”

- Sales Manager

“The husband writes the check, the wife makes decisions based on appearance.”

- Installer

Critical to Make the Sale as Easy as Possible at Every Stage

Customers' overall feelings towards CLIENT are positive

Question: Overall, how do you feel about CLIENT Decking and Railing?

Word Cloud of Most Common Terms



Representative Customer Quotes

"I like CLIENT decking a lot."

- Dealer

"CLIENT has been the biggest bang or my buck for the last 15 years."

- Installer

"One of the industry's best kept secrets."

- Distributor

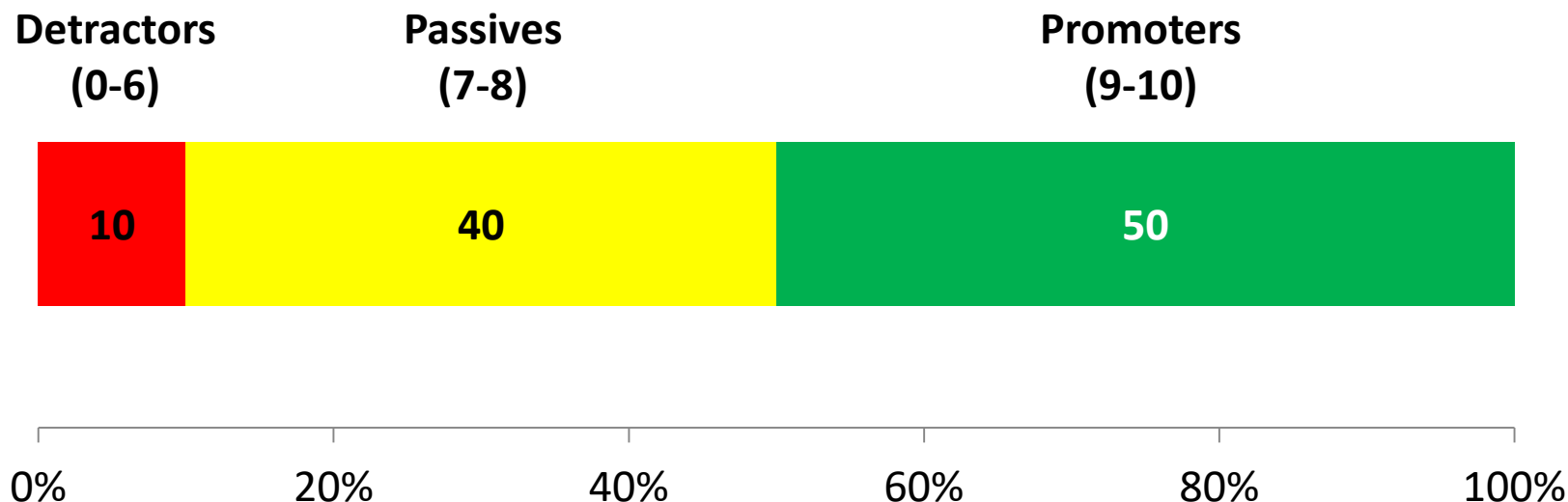
"We appreciate that they don't sell direct to the big boxes. We are a small, local yard who competes with the big boxes."

- Dealer

CLIENT has a Net Promotor Score (NPS) of 40, a solid score

Question: On a scale of 0-10, how likely is it that you would recommend CLIENT to a peer?

% of Respondents reporting likelihood of recommending CLIENT (0-10 scale)



$$\text{NPS} = \text{Promoters (\%)} - \text{Detractors (\%)} = 40$$

Note: This is a higher reported NPS than most publicly-available B2B benchmarks, including average of suppliers of non-technical products (13). It is in line with Caterpillar (41) and above GE Manufacturing (20).

Key positive themes that emerge from customer feedback

Respect CLIENT as a Company

“They've got a good reputation. They're a family-owned business. They're not a fly by night organization.” - Distributor

“The big thing is it's family-owned. We know they don't have to meet a budget every quarter for shareholders. People like to work with the underdog not always the big giant behemoth like Trex.” - Installer

Solid Board Performance

“Their product ... is more durable than other REDACTED products... It's certainly been the one that's caused the least amount of headaches.” - Dealer

“High quality board. Their claims rate seems to be very low.” - Distributor

Optimism for Future Growth

“They've got a lot of upside compared to Trex and TimberTech who are their two biggest competitors.” - Distributor

“There are some things I think they can do to greatly enhance their sales.” - Distributor



REDACTED draws residual demand due to strong performance, but there is a need to innovate in the capped category

**REDACTED
Continues to Sell
Well in Some
Markets**

“Most of the people buying the REDACTED were buying it 10 years ago and have a comfort level with the product.” - Distributor

“The REDACTED has a long-standing performance record to meet basic requirements of a first generation REDACTED.” - Distributor

**CLIENT is Viewed
as a Laggard**

“They're very slow to innovate and very slow to get products to market.” - Distributor

“Their products that are just good enough and not new.” - Distributor

**Interest in a
Lower-end
Capped Product**

“They only offer one line of capped REDACTED. Doing some sort of a low end... would be an opportunity.” - Installer

“A more economical capped board without variegation to compete with Trex Select would be good.” - Distributor

REDACTED sales are driven by aesthetics and require generating authentic, consumer-based passion

Product Aesthetics are Consumer-Defined

“If it was made out of balsa wood and it looked pretty, my customers would buy it.” - Dealer

“Trex had a large group of women focus groups come to a warehouse to select color palettes to determine the colors to include in their line.” - Distributor

Messaging Must Appeal to Consumers

“They're making a higher-end deck board but they're not acting like it. Selling it to a trade person doesn't get it sold in a consumer home.” - Distributor

“CLIENT has not been able to put themselves in the customers' mindset... maybe it's because CLIENT's heart is in the roofing business and not the decking and railing business.” - Distributor

Use Inspiring Content & Leverage Digital Channels

“TimberTech is coming for a photoshoot here in a few weeks for a \$40,000 deck we built to promote in their literature.” - Dealer

“There's ton of opportunities around brand recognition. Advertising is missing consumer. Other brands are using social media... Pinterest, Houzz, perhaps Facebook.” - Distributor

More marketing resources, a compelling installer program and e-commerce for railing suggested

Marketing Limitations Prevent Sales

“They used to have 3 inch samples, not they have 1 inch samples. You can't see the color. I call it a "toothpick" sample.” - Installer

“They should change their warranty to 25 years sooner than later... the competitors will focus on the 20 year warranty.” - Distributor

Critical to Engage Builders Much More

“CLIENT is the only one who has no referral program. No way to give leads to contractors on website... Other companies have contractors on their website. You get on the website after taking a course. It helps the contractors put the decking down right and it helps consumers identify contractors.” - Installer

“They should have a panel of contractors, fly them out and pick their brains -- before, during and after the product is made.” - Installer

Railing Evolves Fast; Can be Sold Online

“The railing has failed miserably. The trend here is minimalist... no one wants to see the railing, they want it to be thin.” - Dealer

“Just sell [railing] direct to whoever wants it online. It's hard to carry all the railing SKUs. Trex sells a lot of their railing online.” - Dealer



Interviewees were asked to score both product categories REDACTED across 15 attributes (versus entire REDACTED category)

Satisfaction (Products REDACTED) (1-5 point scale)

How would you rate the following attribute on a 1-5 scale (5 best)?

Price

Quality

Advertising

Warranty

Fade Resistance

Scratch Resistance

Ease of Installation

Ease of Maintenance

Importance (REDACTED Category) (1-5 point scale)

How important is the following attribute on a 1-5 scale (5 best)?

Aesthetics

Service

Brand

Innovation

Stain Resistance

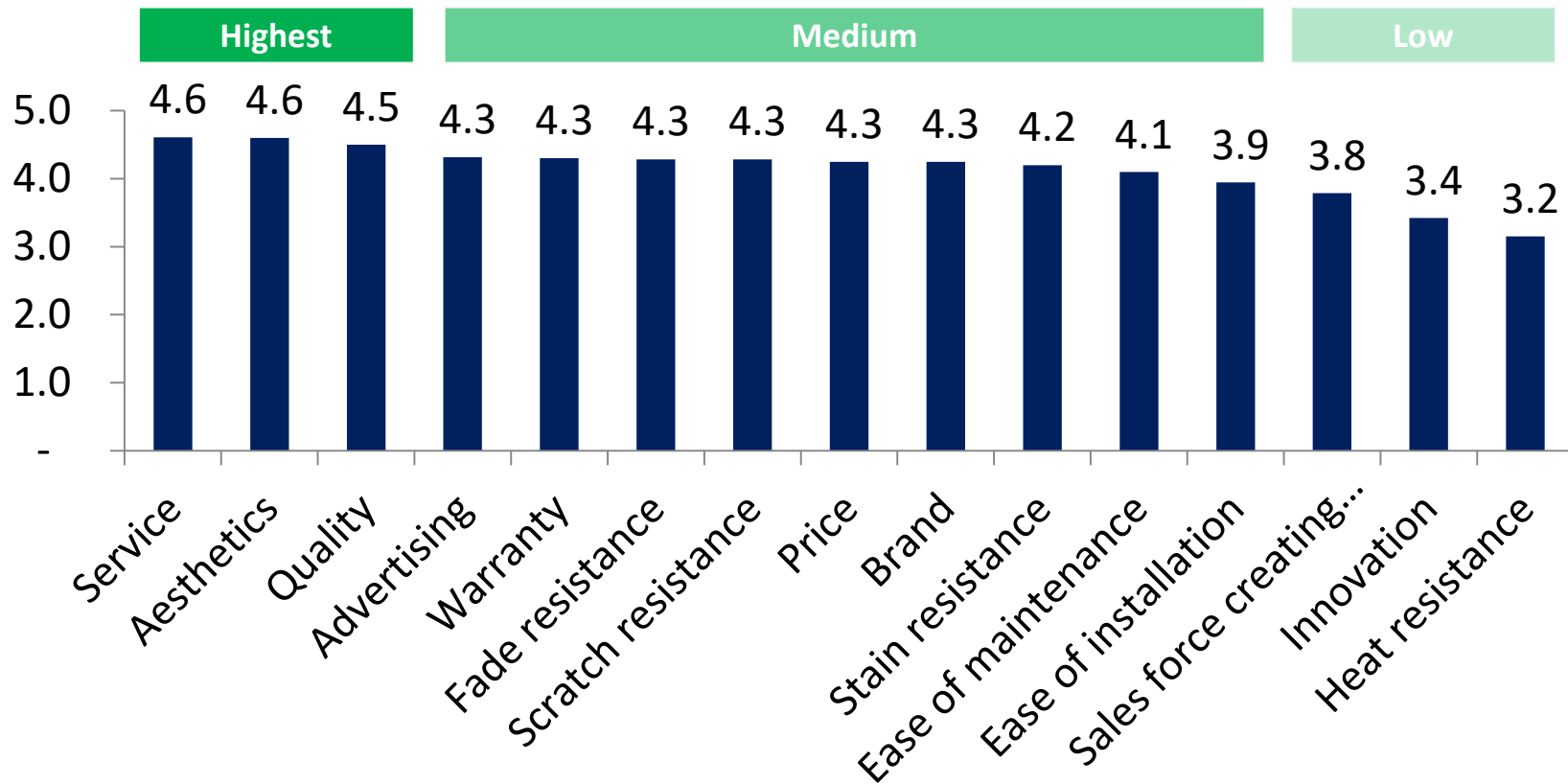
Heat Resistance

Sales Force Creating Demand

CLIENT attributes evaluated

Customers rated the level of importance of 15 attributes when making a buying decision within the REDACTED category

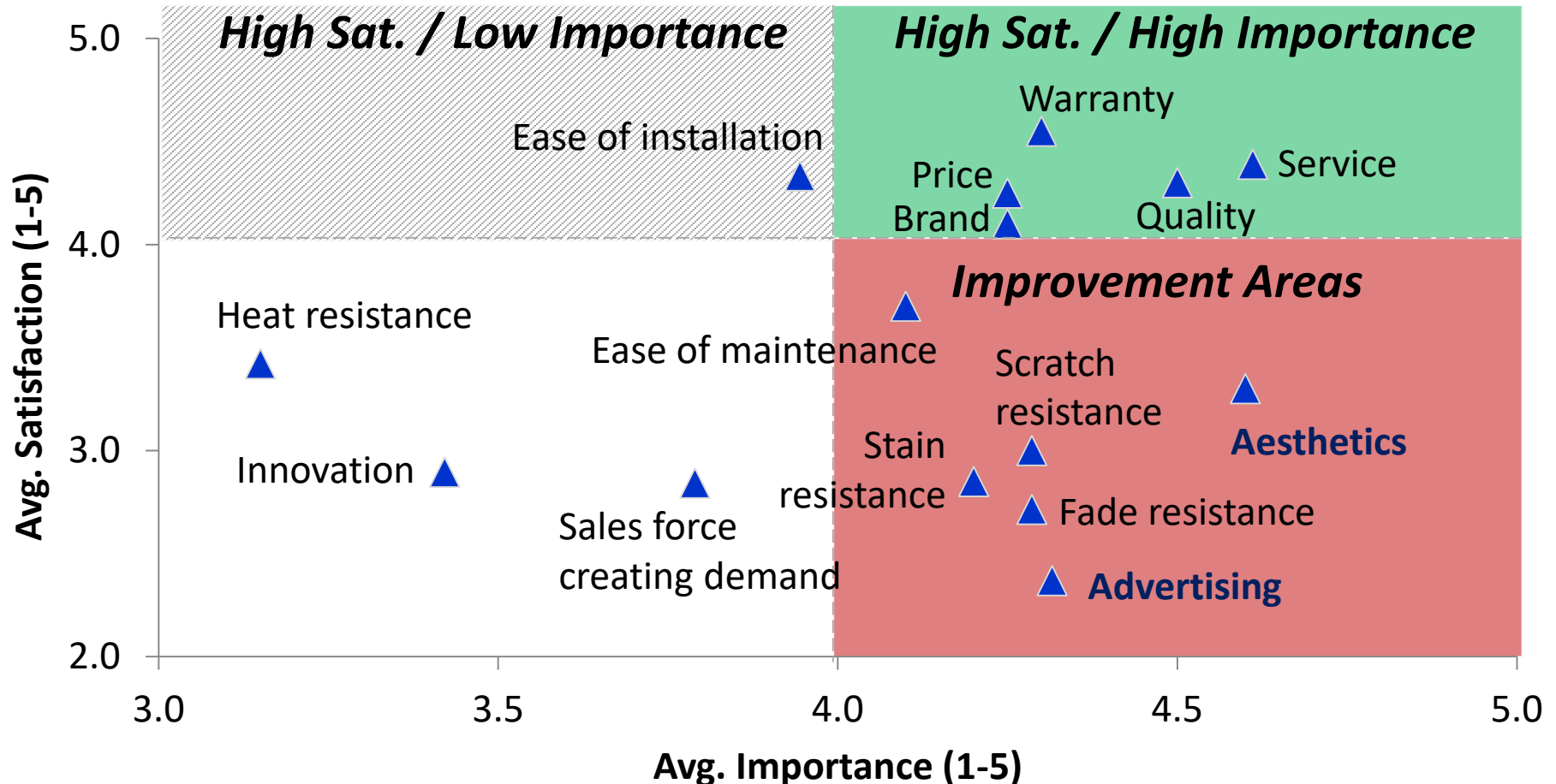
Attribute Ranking: Importance (1-5 Scale)



Product A: Customer attributes grouped into key areas

Aesthetics & advertising most relevant opportunities

Attribute Ranking: Importance and Rating (1-5 Scale)



Product B: Customer attributes grouped into key areas

Advertising / awareness is the biggest opportunity

Attribute Ranking: Importance and Rating (1-5 Scale)

