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Part II of
a Digital Series

Financial services report:

LBM Extra

New Ways Pro Dealers Can Use Trade Credit to Grow

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Identifying a Need, Implementing a Solution

Brown Lumber and BlueTarp Financial forge a partnership built to last

When Andrew Brown, son of A.B. Brown, took over Brown Lumber and Building Supply in 1988, he comfortably led the expanding company through the 1990s. When the Great Recession came in 2008, Brown was faced with a confluence of challenges.

Two of his credit managers announced their retirement. An audit of the existing program exposed more than \$1 million in bad debt during a five-year period that had been written off. His days sales outstanding (DSO) — the average collection period on revenue after a sale — was nearly 60. Brown finally admitted he “just wasn’t very good at [managing in-house credit].”

Brown saw three options: He could hire new staff and continue with the same structure; he could try to go it alone and manage the program himself; or he could find an expert to manage the program. The first would require professional training of new staff and the first two options would require a significant investment of his time — at the expense of time with customers and salespeople. “With my credit program being such an integral part of the profitability of my business, I needed a complete system from an expert partner that was consistent and manageable, not just something to plug the hole for a short time,” Brown said. “I needed BlueTarp.”

While BlueTarp’s services gave him the peace of mind he had set out to find, Brown was initially concerned that aligning with a new partner to manage his trade credit program would translate into less individualized service for each of his customers. He worried that when they needed something like a higher-than-normal credit line, they would be declined. The reality was quite the contrary. Since BlueTarp’s customized in-house trade credit programs are designed specifically for the building supply industry, BlueTarp was willing to work with his customers to make sure they had what they needed for each job.

“I remember the first credit application I sent over to BlueTarp was for \$45,000,” Brown said. “I thought to myself: ‘They’ll never give this guy anything over \$20,000.’ Sure enough, it came in approved and I had one happy customer.” This system enabled Brown to set aside worries about approvals, lines and extensions that had plagued him before, and focus his time on the sales floor.

As for the concern that Brown Lumber would lose control over individual customer treatment if things went sideways? Brown reports something quite different: “Once my customers realized that they had the same access to large lines of credit and payment flexibility they had before, with the added bonus of BlueTarp’s online financial tools, they were thrilled.” Today, customers are responding positively to BlueTarp’s online tools because they make things simpler. And BlueTarp ensures that those tools keep getting better. “I can tell BlueTarp is invested in the building supply industry because they keep making improvements that help my customers,” he said.

Brown reports that his trade credit program is more disciplined, his business secure and, most importantly, much more efficient. His customers are happy and his bottom line is healthy. In fact, now the pro dealer’s credit program only takes him a few hours a week, and his DSO is consistently 25 to 30 days.

According to Brown, “Adding BlueTarp to the equation has far exceeded my expectations and has been nothing but a success.”

This edition of “Financial Services Report: LBM Extra” is the second in a series of three digital documents created by HCN editors and BlueTarp Financial experts.

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BlueTarp's Customers Enjoy Flexible, Customized Approach



By Shawn Cunningham, Chief Operating Officer, BlueTarp Financial



Today, many building supply dealers are already experiencing an uplift from a good summer season and are looking ahead to 2014 as a year for getting back on top. However, optimism alone doesn't build homes — dealers are going to need cash flow in order to build upon that foundation.

Many dealers still feel like cash is elusive and tied up in accounts receivable from their in-house credit program. In the past, a cash-constrained dealer could deploy quick-fix programs, such as factoring or tightening collection practices. However, these options can be unattractive. Although they provide a short-term fix, they can be expensive and cause long-term damage to customer relationships.

BlueTarp Financial can be a valued manager for a dealer's in-house credit program because we deliver consistent cash flow with a service component that focuses on an improved contractor experience over the long term. BlueTarp mirrors the personalized service of an in-house program by providing the same situational flexibility to contractors when it's needed, and adds extra benefits that make the relationship stick. This added service is no accident. We do this because we make money as a percentage of the dealer's increased sales. So the more customers buy, the better for the dealer AND BlueTarp.

Here are a few options that dealers can choose from for each customer:

Payment Terms

Flexibility surrounding payment terms gives contractors the same experience they have come to expect from an in-house program. For example, dealers can choose to offer an extended payment term (60 days rather than the typical 30) for a top customer or one that they want to win from the competition. The dealers select payment terms on a case-by-case basis and can make changes at any time. Dealers can be certain that settlement is coming because BlueTarp pays them on their selected funding schedule regardless of customer payment terms or patterns.

Statement? Invoice? No Problem.

BlueTarp offers dealers flexible billing options. Dealers can choose to offer monthly statement billing akin to a credit card bill, or invoice billing for which the due date is calculated from the date of each purchase. The billing statement can be delivered via traditional mail or email. For those who elect statement billing, they can choose to have their invoices sent to them by email daily or weekly.

Online Tools 24/7

BlueTarp provides a flexible set of online tools enabling contractors to easily access their invoices and statements with SKU-level detail, make online payments, create invoices for their customers and even track expenses by job. Every BlueTarp contractor receives their own online portal where they can set up their account easily to reflect their own business practices. While it can be difficult for dealers to integrate online access to their in-house credit plans, BlueTarp provides Web access and tools as part of its standard offering. Contractors can choose to work from their statements or go paperless.

Rewards

BlueTarp offers a world-class rewards program with millions of redemption options. For customers who find value in a rewards program, this is a popular tool for dealers, helping to create loyalty with their customers. Dealers can choose which customers are to be included in the rewards program and change their decision at any time.

BlueTarp offers a world-class rewards program with millions of redemption options.

As dealers look for ways to make more money out of their credit program, there is one consistent question: "If I get a partner to manage my program, will my customers receive the same customized service they currently enjoy?" BlueTarp offers a program that ensures the answer is 'yes.' Not only does BlueTarp Financial offer building supply dealers a way to make more money through a credit program, it also allows dealers multiple ways to consistently exceed customer expectations.



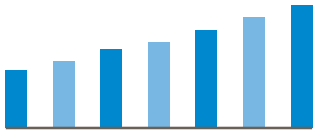
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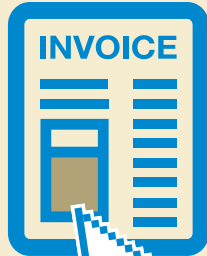
24/7 BENEFITS FOR YOUR CUSTOMERS

TRACK PURCHASES BY JOB

Improve the back office process for your customers.



CUSTOMIZED INVOICES WITH ONE CLICK



Allow your customers to personalize detailed billing statements for their clients.

SEE ACCOUNT BALANCES AND AVAILABLE CREDIT LINES WITH BLUETARP.



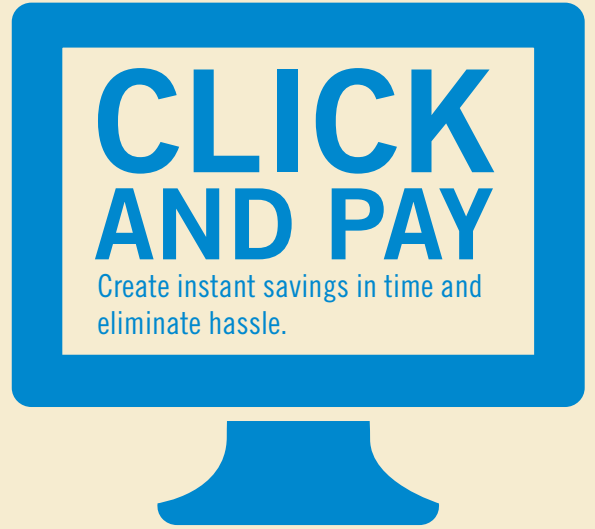
ACCESS BLUETARP ANYWHERE

Allow your customers to review purchase history, anticipate and forecast costs for similar projects, and manage notification settings for account updates.



CLICK AND PAY

Create instant savings in time and eliminate hassle.



USE BLUETARP TO MANAGE YOUR IN-HOUSE CREDIT PROGRAM



Click [here](#) to learn more about how our online tools can benefit your customers.