

THE FIBEROCK® FOCUS

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Is FIBEROCK® a success? That may seem like a strange question, but 12 months ago, the financial bottom line was not a pretty sight. Through 10 months of 2003, the product line had net losses totaling over \$2.25 million. Total shipments were on their way to just over 6 million square feet for the month of November. This would be the second lowest total of the year and only 69 percent of the prior month's total shipments. But if you looked a little closer, you would see these clouds were showing signs of a silver lining. FIBEROCK Underlayment had just made \$142,000 in gross profit for the month, a dramatic \$132,000 improvement from the preceding month. FIBEROCK AQUA-TOUGH™ Interior Panels had just been released and already were posting profitable sales. And the losses for AR/VHI and sheathing were not quite as prolific as before. Through 10 months of 2004, the gross profit performance is now almost a positive \$2.7 million. This represents a turnaround of nearly \$5 million in only 12 months! To date, the only product yet to post a profit for a month is sheathing and so far in 2004, it has a GP turnaround of nearly \$1 million. Take a look at the numbers and you'll be amazed at the profit success that is transpiring in FIBEROCK. Your support to enact price improvements and make smarter selling and shipping decisions has been instrumental in helping FIBEROCK turn the corner to SUCCESS! Keep it up and many thanks to each of you for keeping your focus on FIBEROCK.

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TAKING
THE **LEAD**

Negotiation Skills

By Chris Schmidt

Earlier this year, the FIBEROCK flooring sales team participated in a two-day negotiation skills seminar titled "Situational Sales Negotiation" presented by BayGroup International. Although most of us felt we had little to learn when it came to negotiating on the company's behalf, we approached the seminar with enthusiasm.

What we learned over the next two days was, that we knew our products and our customers' needs very well. However, knowing your products and customers' needs does not necessarily translate into effective negotiations.

We learned that the terms "concession or conceding" are not four-letter words. In fact, a poor concession plan or, in most of our examples no concession plan, becomes one of the top mistakes or biggest "wrong turns" that we as sales professionals can make. Just because we don't like to admit that we concede doesn't mean we don't do it. We almost always concede something. The better prepared we are and the more planning we put into our concession plan, the better the end result.

Mile-High Success

In November 2003, Building Specialties in Denver, Colorado, took on a new customer, United Builders Service. Their new outside sales person, Don Nielsen, told USG Sale Rep Jan Lighthart about a project they appeared to have an edge on, Tower on the Park. Jan knew United and that they had used over 100msf of 1/2-inch FIBEROCK Sheathing on a townhome project and liked it, so she asked Don to set up a lunch meeting with United's General Superintendent, Brad Wittier.

Jan came to lunch prepared. At the lunch, she had submittals and samples of the new FIBEROCK AQUA-TOUGH Interior Panel. Wittier liked the panel and told Nielsen and Lighthart that not only would he submit the FIBEROCK Sheathing, but also the Interior Panel on the Tower job. Wittier then went the extra mile and put the samples in water, along with samples of G-P's Dens products. He showed Turner Construction, the GC on the job, the test to get them to permit putting the FIBEROCK on the job. Wittier knew that Turner has paid out millions in mold and mildew damages over the last few years

We saw through both USG FIBEROCK and generic case studies and the accompanying role playing that by knowing the full range and strength of our power, we could set our targets higher and with an effective concession plan, end up with a better deal that ultimately meets the customer's needs.

Effective sales negotiation is not easy. It takes practice and planning. Creating a certain level of tension is also a key ingredient in effective negotiation. We have all experienced how difficult it can be to tell a customer things they don't want to hear or ask a customer for things they don't want to give up. Creating some tension and removing the emotion while reinforcing our value can be very challenging. We decided to challenge ourselves and try it, and it works!

So what's the result? I think our team is better prepared to negotiate. We are applying the skills we learned and becoming better negotiators. We are setting our targets higher and asking for things we would not have asked for in the past. We are getting the orders at higher prices and leveraging our value instead of assuming that we needed to give it away! The FIBEROCK business has been profitable since

and they were impressed. Game, set, match! Job won.

To date, the job has used at least one truckload of FIBEROCK ATIP and over 200msf of FIBEROCK Sheathing. This is a 13-floor plus penthouse project that has turned into a USG product showcase. United is also using TUFF-HIDE™ Primer-Surfacer, USG paper faced beads and trims, PLUS 3™ Joint Compound and SHEETROCK® Brand Gypsum Panels. If that's not enough, they are also using the sheathing for the pre-rock. The plumbers love this since the building is still not enclosed and they feel that this will help them with the mold and mildew issues they constantly face.

Brad Wittier and Turner Construction are now inviting other GCs to walk this project and see the success of the FIBEROCK. United Builders Service was recently awarded another project and they have already had the GC look at the FIBEROCK success on the Tower on the Park job. And guess what, FIBEROCK will be on the new job. Isn't it great when our customers do the selling for us?

March, and although I wouldn't claim that it's all about effective negotiating skills, the skills we learned and are applying will keep us profitable and make us more profitable going forward.

Persistence and Teamwork Pays off in Southeast

Have you ever worked your fanny off to get a product specified, only to have the rug pulled from under your feet by the contractor awarded the project? In July of 2003, such a tale began when Orlando, Florida, USG Architectural Services Rep Scott Wright was successful at getting the Jacksonville, Florida, architectural firm of Reynolds, Smith & Hills to specify FIBEROCK AQUA-TOUGH Sheathing on the Brunswick Golden Isles Airport Terminal project (CMD # 1000183889) in Brunswick, Georgia. USG Building Systems Sales Rep Patty Ganas of Jacksonville, Florida, then began the process of working with contractors and dealers in the Brunswick market about this opportunity.

When the project was awarded to general contractor C.C. Bourdon, Patty used her long-time relationship with owner Allen Bourdon to maintain the FIBEROCK specification. Problems developed, however, when the project was delayed until April 2004 and subcontractor Ware Paint and Drywall secured the job. Ware then tried to change the job from FIBEROCK to G-P's DensGlass Gold. Sound familiar? You bet it does, but Patty didn't give up.

She then worked with Randy Thompson, outside sales rep for Seacoast Supply in Kingsland, Georgia, to use his strong relationship with Ware to keep the job FIBEROCK AQUA-TOUGH Sheathing as originally specified. It was touch and go for several months, but August 1st, Seacoast received a commitment from Ware to use FIBEROCK Sheathing and an order for the first of two truckloads. So remember, maximize your relationships and never, ever give up. What a great example of teamwork and persistence. Hats off to Patty, Scott and Randy!



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Expect the Unexpected

What started out as an information and price comparison call from a customer turned into a huge opportunity and 200msf sale of 3/8-inch FIBEROCK Underlayment. An underlayment installed in two new United States Navy housing complexes in Pearl Harbor, Hawaii, has helped solve a tough problem with termites. The feisty foes feast on Naval bases throughout the Pacific, forcing architects and general contractors with Navy projects to specify steel mesh barriers, galvanized steel studs and the like.

FIBEROCK Flooring Distribution Rep Jennifer Link-Raschko followed up on a call from Prime Source about FIBEROCK pricing versus Hardibacker. This led her to Actus Contracting, the largest military private subcontractor in the world. As luck would have it, Actus Lend Lease was hired by Metcalf General Contracting to build the 212-unit Kaneohe Marine Base Housing project in Hawaii. All new military housing is now undergoing privatization, so the contract to build this project is also to lease the housing for the next 50 years.

A recent project that used VCT tile experienced bond failures. Treated plywood had been used as the underlayment in an effort to stop termites. The EPA now mandates the use of new "environmental" glues for securing vinyl products to flooring underlayments. The new glues, however, chemically react with most termiticide-treated plywoods and, as a result, the resins holding down the vinyl crystallize and soften. Eventually, the vinyl delaminates. The only solution was to install an underlayment over the plywood. This is where FIBEROCK enters the picture. Jennifer contacted the U.S. Navy architect for approval, as well as the vinyl contractor. USG's Phil Ciesiulka and Diane Earll met with Actus and addressed some unique job conditions that led to the FIBEROCK being

installed before the walls and roof were built. FIBEROCK Underlayment's integral water resistance and resistance to termites was all that was needed to secure the Navy's final blessing.

Due to the special installation requirements, Actus and Mitchell Door and Trim (the vinyl installers) saved over \$52,000 in man hours on the job and it looks like more work like this is on the way.



FIBEROCK Abuse-Resistant VHI Panels Chosen for 1,500-Bed Coalinga SVP Hospital

When California passed a state law that kept incorrigible, sexually violent predators locked up in a facility until deemed healthy, it found itself without a facility secure enough in which to confine them. The San Francisco architectural firm Kaplan, McLaughlin, Diaz (KMD) was given the job of building a correctional facility to comply with Department of Mental Health standards, which included using conventional high-strength plaster systems. Coalinga, a small town on the east side of the central coastal mountains, was chosen for the 1,500-bed facility. The land was inexpensive and the town isolated. The only drawback: an available skilled labor force.

During the design phase, the Department of Mental Health, the project's owner, hired Vanir, a construction management firm, to help manage the construction and costs. It became immediately clear that in order to build the facility according to standards, the projected 2+ million square feet of conventional plaster was going to be costly. A search began for an alternative system that would meet the performance criteria, plus be easy to stock, install and finish with the available workforce.

One of the many products investigated was FIBEROCK Abuse-Resistant VHI. Together, Joseph Joslin and Kym Heitke, A&O representatives in San Francisco and Sacramento, made a joint presentation on FIBEROCK at the office of the Department of Mental Health. The goal was to move the sale forward by getting a commitment from the owner to attend a mock-up. Representatives from the Department of Mental Health, KMD and Vanir showed up, as did department heads from the Department of General Services and the Department of Education. The presentation was a success and a full-size mock-up was built at the local L&W yard by Specialty Product Representative Mike Sabus.

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Several additional parties attended the mock-up, which started with a review of all the concerns the owner expressed before and how the attributes of FIBEROCK VHI addressed them. The attendees then took turns hitting and scraping the mock-up with chairs, lumber, car keys, pens, coins and a framing hammer. The group, particularly Vanir and KMD, was impressed with the product's performance and the sale kept moving forward.

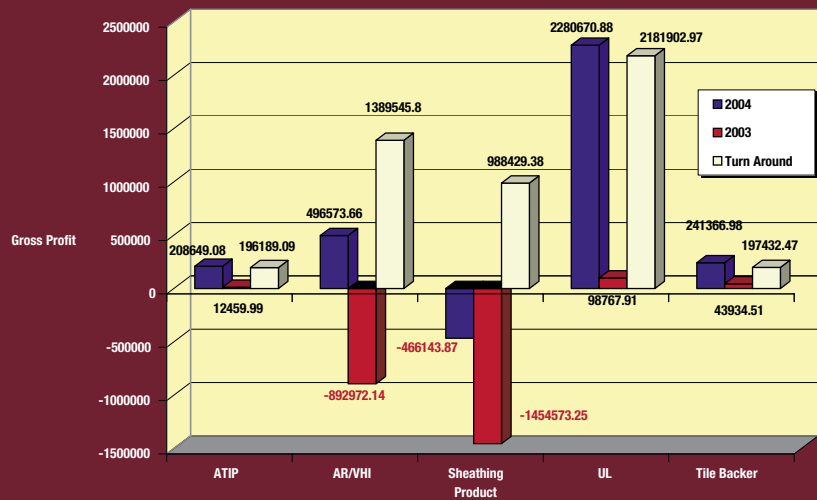
Shortly after, Hansel Phelps was chosen as the general contractor and asked to build another mock-up so that it could be tested again. This mock-up included a two-coat veneer plaster system consisting of DIAMOND® Brand Veneer Basecoat Plaster and IMPERIAL® Brand Finish Plaster. It was built next to a conventional plaster mock-up. Steve Allison, sales representative for Sacramento, arranged for the materials, and FIBEROCK Product Manager Diane Earl and USG plaster guru Bob Lindegaard were brought in to expand further on the product's performance qualities.

After that meeting, FIBEROCK Abuse-Resistant VHI was specified for the Coalinga SVP Project. Other USG products specified included DUROCK® Brand Cement Board, DIAMOND Brand Veneer Basecoat Plaster, IMPERIAL Brand Finish Plaster, paper faced metal beads and trim, and joint compounds. Mike McCormick, territory representative in Bakersfield, coordinated with the Sacramento L&W distributor and Rail America to set up a rail site for delivery near the project. FIBEROCK products began shipping directly from Gypsum, Ohio, to this site, and were then trucked to the project. Steve Allison and Mike Sabus worked with three different subcontractors, providing installation and technical support. Steve also introduced FIBEROCK Interior AQUA-TOUGH Panels which are now being installed. To date, over 1.5MMSF of FIBEROCK products have been shipped. It is estimated that when the project is completed in the first quarter of 2005, in excess of 3MMSF of FIBEROCK products will be installed.

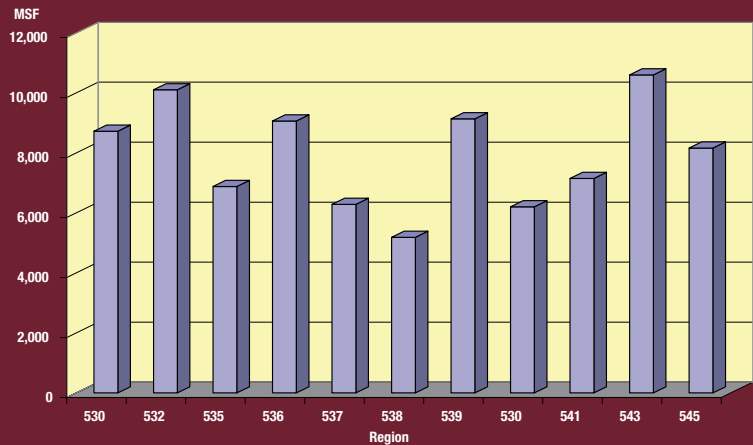
This project is a great testament to the USG sales model and to the teamwork and support it takes in moving a large sale forward.

How Do We Stack up?

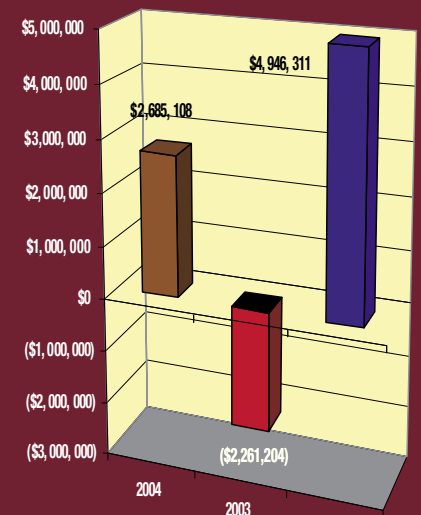
FIBEROCK Gross Profit Comparison by Product 2004 vs 2003



Total FIBEROCK Sales Volume by Region (10 Month - 2004)



Total FIBEROCK Gross Profit (10 months 2004) Gross Profit Turnaround



Gypsum, Ohio, Shipments of FIBEROCK

