

TRADING ON TRUST

Richmond International Forest Products is growing its business on a foundation of trust.

by Michael J. Stott

What attracted him to the business in 1978, and what still drives him today, “are the industry relationships and the quality of people I work with every day,” says Casey Mickelson, president of Richmond International Forest Products, Inc. RIFP is a subsidiary of the Forest City Trading Group, the largest wholesale lumber company in the United States.

Mickelson says that his company is one of 250 in the country, but the truth is there probably is no other lumber wholesale firm quite like his. “This business is very, very relational,” he says. “Transactions are done over the phone and on a handshake, which is highly unusual given the kind of money involved [often more than a quarter of a million dollars]. Customers and mills are loyal to us in this volatile market because they know we bring value to them and because our word is our bond.”

RIFP, founded in 1982, has its offices in Innsbrook and employs more than 25 traders and a full administrative support staff. Over the past five years the firm has grown to more than 1,000 North American customers and raised sales from \$60 million to \$300 million. Reaching its next five-year goal of \$600 million will make it one of the largest lumber wholesale companies in the U.S.

Trading a diversified product mix in an atmosphere of honesty and integrity is only a partial profile of RIFP. Specifically, the firm purchases a wide variety of wood products, from commodity lumber, panels and specialty items, and sells it for a profit. Recently the company expanded its line to include boards, timbers and squares, shop and molding, industrial grade products, stair treads and stepping. In addition, ponderosa pine has joined the mix as RIFP pursues its aim to be a complete source for the domestic board market. Forty percent of its purchases are speculative and 60 percent are made to fill customer orders.

What RIFP does best is manage:

- risk on speculative purchases, advice to partners and counsel to customers and suppliers
- credit and fiscal risk for producers
- trade logistics
- logistical services (including rail and truck tracing, dispatch and claim settlement)
- financing trades
- trade market knowledge and information

“Ours is a supply and demand business. What we do is make sense of market factors and help clients solve the puzzle. Often,” he says, “that is a daunting task given the vagaries of the market, i.e., interest rate fluctuation, stock market volatility, weather and seasonal factors affecting building starts. We are a very good resource for our customers,” says Mickelson.

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“There are three views in our business: the suppliers’, the customers’ and ours. As a result we do a lot listening. Those relationships drive sales and purchasing,” he says. “When a relationship is in play we want to be a full service company. We have traders with experience in a variety of areas and, within the group as a whole, a ton of expertise, so we can provide most of what customers need.”

Also at RIFP’s command is a philosophy rooted in technology and management information. “We want to provide excellence in all that we do and those capabilities reside at the core of our success. It is critically important that our workforce understands and works creatively with current technology. We trade on-line and in real time using technology to manage information and we’re darn good at it. Our customers who don’t have the time depend upon us to utilize these tools,” he says.

One technological advance not extant at RIFP is voice mail. “I don’t like it and no one in our company has it,” says Mickelson. “We are probably the only wholesale company in the U.S. that doesn’t have it. And we get a lot of positive comment about how wonderful it is to talk to people.”

Homegrown is a way of life at RIFP. Hiring is done through word-of-mouth and referral rather than ad placement. The key is

finding caring individuals who excel at forming relationships. Internally the firm is doing a superlative training job through mentoring. Seasoned traders serve as trainers to new employees in both the sourcing and selling of product. The system allows both parties to maintain a vested interest in transactions and to gain a share of the sale. “It’s a pretty dynamic environment,” says Mickelson.

Part of the dynamism is due to the evanescent nature of the lumber landscape. Today traditional patterns of usage founded on specie and grade preference are now being supplemented with non-traditional inroads of new products based on quality, availability and price of alternate sources for these new materials. “Our company is positioned to assist customers with changing choices and to market opportunities from our supplying partners to our national customer base,” Mickelson says.

Facilitating the positioning are the close trader-client relationships that underscore the company’s operations. Such familiarity allows RIFP staff to not only react to but also to anticipate needs. Nowhere is this advantage more clearly felt than in the purchasing function. “Our customers are either owners of retail lumber operations or purchasing managers who value time and efficiency. One way they can control costs and their businesses is through purchasing, a function in which we partner and provide value,” says Mickelson.

“When I got into the business I couldn’t believe they paid me. It’s a lot of fun and very fraternal. Lumber people are very honest and straightforward. If your word is no good you’re not going to be in business very long.”

Such a prospect is not an option for Richmond International Forest Products,

whose corporate culture is built upon the nurturing of internal and external relationships. “There is a lot more to this business than just trading,” says Mickelson.

Lumber may be the commodity of choice, but trust is their stock in trade.



Elaine Odell

Casey Mickelson, president, and RIFP employees on the trading floor