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Where Do We Go From Here? by Carl Schoening

The opportunity for value-added service to your customers—and the increased revenue that should go with it—has never been greater. Don't miss a chance to expand your business model!

Many component manufacturers are asking the same question, "Where does the truss industry go from here?" Where is "here" and why are so many asking the question?

First, the IBC/IRC adoption process has created many questions as to the impact of these new codes on the way our industry transacts business. WTCA and TPI's Technical Advisory Committee (TAC) have created a plan for 2004 to review the codes, define the specific provisions that apply to trusses and provide interpretation for component manufacturers.

Secondly, there are some regions of the country in which consulting engineers are taking away a value-added market segment that component manufacturers may choose to pursue, by issuing truss calculations to builders. This may seem positive, but it could easily become the first step in making metal plate connected wood trusses merely a commodity product.

Finally, the perspectives on whole house design software have become a topic of conversation in the last few years. Component manufacturers want to know how this can help their businesses and how they can derive revenue through its use. That is a difficult question that requires several answers. Whole house design is simply that—a component manufacturer will be able to provide the flow of loads from the roof to the foundation and design all the structural component elements to carry those loads, as well as provide the load transfer connections for the entire structure. This provides an opportunity to create information that has value to the customer. For example, component manufacturers will be able to prepare an accurate material take-off for all of the solid sawn material in the job. In many cases, builders are currently paying for this service. Why not let them pay you?

Software will also design the floor system whether it is floor trusses, I-Joists, trimmable end trusses or solid sawn joists. The advantage is that component manufacturers using a secondary software to design floor systems can now save time and resources by doing it inside one software package. Additionally, since the software packages provide load transfer throughout the entire load path, component manufacturers can accurately deal with hardware connections along the load path. Not only can it provide truss-to-truss connections, but also truss-to-wall connections, top plate-to-stud connections, post-to-beam connections, truss-to-beam connections, post-to-foundation connections and sill plate-to-foundation connections. While most of those connections are outside of the current component manufacturing scope of responsibility, they could present a substantial source of revenue in the future. If component manufacturers expand their scope of work, their value and risk consequently increases and they should be adequately compensated. Hence, if component manufacturers can provide design for all structural

elements, accurate material take-offs for trusses, I-joists, solid sawn joists and rafters, headers and beams, and hardware, why not sell it? It is more efficient for builders to have a one-stop shop where they can get information and buy the specified products. Hardware is often overlooked by component manufacturers and can be an important source of revenue.

I have recently heard talk that the future looks different for component manufacturers. Some think that they will begin broadening their scope of work and be a more integral part of the design and building process. Not all, but many, will have the chance to become strategic partners with customers by providing more information and more value. This alignment can create loyal customers. Not satisfied customers, but something far beyond satisfied: loyal. The more entrenched component manufacturers become with their key customers, the less likely they will be to shop the price and more likely they will be to remain committed to a single supplier. It is already happening in some parts of the country. There are now some component manufacturers that have broadened their scope by taking on an array of new business segments. Many are installing wall panel and floor truss lines. Some are doing architectural design. A few are providing engineering services and at least one is providing foundation services. I don't think it is realistic that all component manufacturers will expand as such. However, it is not outside the realm of possibility.

Back to the question, "Where do we go from here?" The answer is forward. Choose those value-added areas that you feel comfortable with, get the help you need from your suppliers and move on to new opportunities.

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What Business Are We In?

Are we deriving the true value that we provide to our customers from the computer software to the technical prowess our industry has today? As business is currently conducted, industry technicians take the construction data supplied by the customer and put it into a computer program to take on design work that is prepared by a professional engineer. This business model looks exactly like that of an engineering company. Professional engineers delegate design work and detailing to technicians they supervise, and technicians return their work to the engineers to review and seal the finished product.

In 2003, the going billable market rate for an EIT in an engineering firm was \$70 per hour. Following are the real issues:

- Let's say you employ five technicians doing truss technician work who all work full-time at 2,080 hours per year.
- Let's say that the going rate in your area is \$45 per hour for an engineer who's a recent

graduate.

- At the end of the year when you determine the time expended in your technical department, have you achieved a revenue stream of \$676,000 for this work?
- To make the comparison more real, take a look at the revenue you generate from your truss operations and the part of that revenue that is due to technical work. Let's say that it's \$200,000. Then divide this by the number of people in the technical department, by the number of hours they worked, and determine your hourly rate for this work. Using this example the hourly rate would be \$19.23. Then determine what you are paying your people and see what type of return on investment you are making on the wages that you pay.

Let's ask a few more questions:

- Why do you think that builders want us to undertake the technical work and bypass building designers? Could it be because our hourly rates are much better than what a building design firm would ask?
- Why do you think that engineers want our industry to assume the responsibility for the roof and floor system? They probably think that if this group wants to do this work for \$20 per hour or less, and take all the risks that go with it, then let them have this work. They'd rather do the \$80 - \$90 per hour work and make some money.

Sophisticated computer software developments and enhancements are a great thing for our industry:

- They have made truss technician work incredibly easy.
- They have increased productivity beyond anyone's expectations.
- They have made complex building design very easy to componentize and build.
- They have reduced the value of engineering in the market to virtually nothing.

Is there any wonder why we cannot find the number of good technicians we need to accept the business we have? We are willing to do it essentially for free, and there are a group of construction professionals who look at us incredulously and think that if they want to do it for free, we'll give them all the work they can handle.

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