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Editor's Message

It's 2011. What Will You Do Differently?

by Joe Hikel

Price pressure makes wall panels a tough sell in today's market. Is it time to explore other products?

Our industry has been trying to add value to its offerings to the builder for many years. Most component manufacturers (CMs) started out by making roof trusses and many still focus on that product. Others have been trying to get more market share by offering floor trusses or engineered wood products for floor systems and beam applications. Some CMs have expanded to making wall panels, subcomponents, and distributing or manufacturing proprietary shear wall products for wall applications. Others have combined loose lumber supply or field labor to component packages to provide turnkey framing solutions. Our software providers are trying to advance the state of the art by providing value engineered whole house designs that optimize material. They feel that the CM is in the best position to add value by saving material and eliminating waste by controlling the entire material list using the tools they are developing.

The challenge for all CMs is developing the business model that works for today and tomorrow's market. These days, predicting tomorrow's market is a tremendous feat. Being a vertically integrated turnkey framer that employs the latest technology is an endeavor that creates the need for many more skills than the average truss manufacturer has. How do we proceed? Do we try to acquire the skills? Do we form strategic alliances to bring different skill sets together? Will the customer actually pay us for the value we create? The answers to these questions are ever-changing and finding the "sweet spot" for your business will be the key to your success.

Let's talk about the first step in expanding the product offering for many CMs: wall panels. To give you some perspective I think it is important to understand my experience with panels. The first job I had in the industry was working on the sheathing side of a Triad panel table in 1975. The company I worked for was a lumber yard that provided roof trusses, floor trusses, wall panels, pre-hung doors, loose lumber, interior and exterior trim, windows, siding, and anything else a builder might need from a lumber yard. We made panels for production builders that were designed by hand. When we opened Shelter in 1976 we started with roof and floor trusses and quickly added wall panel capability by 1979.

The biggest obstacle in selling panels then and now at a profitable price is getting the builder and the framing contractor to recognize the value the product creates. I remember my dad telling me stories of framing contractors actually coming after him with a hammer at the thought of getting the customer to use panels instead of stick framing. The framers need to give a credit of somewhere between 25-40% in order to compensate for the labor, freight and profitability of the wall panel manufacturer. The value proposition to the builder has been more speed and less waste on the job-site. Another attribute of panelized construction is that the crew on the site can be more productive with fewer "less skilled" staff. Yet another feature is the concept of the walls being built in more controlled conditions in a plant that has sophisticated equipment and ensures better quality. The framer who doesn't want wall panels will say that any advantage they give is quickly negated by the fact that the manufacturer can't be as flexible as he can be in the field when conditions change, especially if the foundation isn't dimensionally accurate. I know some framers who love panels because they enable them to be more productive as they have trained crews to be

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at a glance

- ❑ The biggest obstacle in selling panels has always been getting builders framers to recognize the value.
- ❑ Different market segments require unique skill sets just like different products do.
- ❑ Given the ultra-competitive market, strategic planning is critical for component manufacturers in 2011.

Editor's Message

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panel setters. They also rarely give back all the credit for panels enabling them to pocket some additional margin. I know many others who give little or no credit, which puts a squeeze on manufacturers' margins. I believe this margin fight is the main reason that panelization has not been more widely accepted across the building community. Some panelizers have decided to go into the framing business to mitigate the margin fight by managing the whole process.

Today's economy and the downward pricing pressure it has created exacerbates the margin squeeze panelizers feel. Anecdotal evidence suggests that panels are losing market share as cheap labor is plentiful incentivizing some former panelized customers into switching back to stick framing and making it even harder to convert the stick framers to try panels. Even though panel manufacturers face many challenges, there are many builders that have embraced panelization and are committed to the process. There are several vertically integrated large builders that have their own manufacturing facilities and there is a panelized paradigm within a loyal group of customers.

Alternatives to panels in some markets include subcomponents and precut framing packages. Both products offer some of the technological advantages of wall panel without the freight intensity or field flexibility disadvantages. Subcomponents include window and door rough openings and wall intersects known as tees and corners, while precut framing packages leverage the technology many of us have in our plants in the form of a linear saw that can cut and mark wall members in an automated process.

The overall reason we are discussing potential additional product offerings is to consider increasing market share especially when there is less market available. Another strategy to increase share is to get more customers. Perhaps changing the distribution channels you have been using is an option. Or go after different market segments as well. If you are used to approaching single family builders direct, why not consider a relationship with a lumber yard? How about commercial or multi-family? Different market segments require different skill sets just like different products do.

What we are really talking about here is strategic planning for your business. In many ways, today's market is the best time and place to explore options you may not have in the past. What markets do you want to attack? Who are your target customers? How will you differentiate your business from your competition to meet their needs? How does your manufacturing and design expertise match up with your targeted customers? How will you reinvent your business for the new era we are operating in today and how nimble will you be at making the necessary changes as demand increases? Don't forget that your participation in SBCA and the discussions you have in Business Solution Groups, chapter meetings, and at BCMC will help answer these question by benchmarking and sharing ideas with colleagues. **SBC**

SBC Magazine encourages the participation of its readers in developing content for future issues. Do you have an article idea for a future issue or a topic that you would like to see covered? Email your thoughts and ideas to editor@sbcmag.info.



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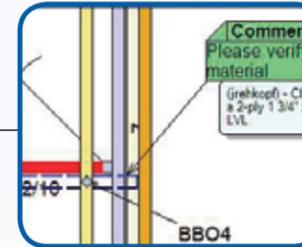
With the Section Cut View you can create a slice-through model showing the critical member elevations and relationships inside of the model.

The core of the **SAPPHIRE** suite, it provides component manufacturers whole-house design software in a true 3-D model using one data set. When powered by the new *Materials* module, the single data set will be used across the suite to drive engineering, materials, production output and the new *Viewer*.

“SAPPHIRE Structure has put the fun back into designing”

Toby Brundage — Builder's First Source
Harrisburg, NC

SAPPHIRE[™] Viewer



SAPPHIRE Viewer with Mark Up functionality allows you to collaborate with your builders using the 3-D model.

A simple collaborative tool that allows your designated builder, architect, or engineer customers to view a shared digital 3-D model to review and comment on specific building details.

Current MiTek customers are invited to download *Viewer* at NO COST to see for yourself how you can collaborate with your customers in 3-dimensional imagery. Make your customers your business partners — go to: www.mii.com/sapphireviewer

SAPPHIRE[™] Materials

Material Category	Cost Assigned	Width	Depth	Unit
2x4 SPP No. 2	20000	300.00	0.00	ft
2x4 SPP No. 5	20000	300.00	0.00	ft
2x4 SPP No. 8	30000	300.00	0.00	ft
2x4 SPP No. 11	40000	300.00	0.00	ft
2x4 SPP No. 14	50000	300.00	0.00	ft
2x4 SPP No. 17	60000	300.00	0.00	ft
2x4 SPP No. 20	70000	300.00	0.00	ft
2x4 SPP No. 23	80000	300.00	0.00	ft
2x4 SPP No. 26	90000	300.00	0.00	ft

Material Cost Categories provide the ability to manage the costing of structural component materials through your plant.

SAPPHIRE Materials, to be released in April, provides a materials list system that supports the whole-house design created in *Structure*. In addition to managing materials in the whole-house model, your structural component materials can be managed from one location because it is a true unified database that provides for consistent data flow and eliminates file sharing.



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