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## Are You a True Construction Partner or Just a Materials Vendor?

By Paul Giovannoni

When building product manufacturers walk side by side with contractors, engineers and architects, they become true partners in the building process (versus just suppliers or vendors).

Like many other industries, the building product manufacturing (BPM) sector has seen more than its fair share of disruption, shifts and new challenges over the last five to 10 years. As a result, everything from evolving end-user needs to the national construction labor shortage to new ways of getting products to market should cause BPMs to rethink their roles in today's market.

As project owners become smarter and more sophisticated—and as the projects themselves get more complicated, faster and bigger—these trends will put even more pressure on BPMs to adapt and change accordingly.

In this article, we dive into the changing customer dynamics that are challenging BPMs right now and show how manufacturers can position themselves, not just as preferred suppliers but also as valued partners in the process.

### Getting in on the Evolution

As the engineering and construction (E&C) industry continues down the path of rapid acceleration, it's taking BPMs right along with it. Relied upon to supply the materials and innovation needed to bring the modern-day construction project to life, BPMs must continually hone their own business models while also factoring in both their immediate customers (the distributors that sell their products to the E&C industry) and their ultimate customers (the contractors and builders who install and use the products).

From a very high level, these changes start at the top where the broader Built Environment has been evolving rapidly over the last few years. In fact, some industry experts predict that we'll see more change in the industry over the next five years than we've seen in the previous 50 years. Much of that change will be rooted in the evolution of who the customer and influencers are and the role each plays in product specifications and design, as well as the project characteristics and dynamics. We're also seeing tectonic shifts in project dynamics, with stakeholder roles and business models also adjusting accordingly.

Put simply, the BPM's customers of yesterday will not be its customers of tomorrow. This shift not only impacts the downstream installers but also will affect distributors and manufacturers, both of which will have to adjust their business models in ways that create high levels of value for the project and for end users. When BPMs understand all members in the value chain, they can more readily address key pain points, understand unmet needs and make themselves indispensable to their customers. Done right, this approach helps to create loyalty and "stickiness" across all stakeholder groups.



## The Crystal Ball

As we look around at the current building products and materials industry (and the sectors that it serves), we see four clear trends emerging in 2020. They are:

1. The role of the contractor has changed and continues to evolve.
2. As design completion has declined, the changes have pushed specification and influence away from designers and over to contractors.
3. This trend is pushing contractors to bring design in-house.
4. As design delegation continues to increase, the need for technical support and education increases exponentially.

We are also seeing project time frames accelerating just as the projects themselves become bigger and more complex. Concurrently, project owners are becoming far more sophisticated and are bringing project management and other traditional construction manager tasks in-house (i.e., by hiring their own senior construction managers). Despite the increased sophistication, there's often a disconnect between facility managers and construction managers (e.g., capital cost vs. operation and maintenance). This often leads to a chasm between low upfront cost procurement and buying on long-term value. Combined, these realities should be driving BPMs to develop products that not only meet project specifications but also add value for the contractor itself. **This requires shifting the focus to the customer.**

Just the other week, I was at a meeting where a manufacturer was hosting hundreds of its top customers. The first day company leaders largely talked about the organization and then spent the next day discussing their latest products and how to use them in the field. The BPM also reserved a small amount of time for a presentation on what its contractors could be doing to win more projects, provide more value to project owners, and run more successful businesses.

Guess which presentation was most engaging for the contractor-attendees? I sat through the meeting, and it was only on the second day that I saw contractors actually taking an interest and getting engaged with the presentation. This meeting would have been much more effective had the majority of the time been focused on helping the attendees become more successful rather than focusing the time on internal organizational topics.

This is just one example of how BPMs can effectively take the focus off themselves and instead place it on their customers—or, more specifically, their customers' top pain points. By acting as a partner to those buyers, and not just product or material suppliers, BPMs can position themselves as the go-to source within their category.

Here's how to do it:

■ **Learn how the customer dynamics work.** Ask yourself questions like:

- How does the sphere of influence work on the projects we are involved in?
- How is our product being specified? Who is selecting it?
- Which customer or stakeholder is exerting the most influence?

The answers to these questions will help you pinpoint a future-proof strategy for working more closely with the most important stakeholders and supporting their businesses.

■ **Understand the value drivers.** Figure out the key drivers of profitability for the contractors you supply or what makes an engineer's or architect's job easier. What part can they offload to the manufacturer? What are the challenges that an owner experiences? What keeps facility managers up at night? What concerns them the most? By gathering this intelligence, you can then use it to better understand the stakeholders' business, drivers, fears, concerns and motivations.

■ **Listen.** Just like the manufacturer at the meeting I recently attended didn't focus on what its customers would actually be interested and engaged in, too many manufacturers make assumptions about what their stakeholders need. Avoid this trap by actually listening to—and taking time to understand—your customers' complaints, needs and pain points. More importantly, understand what drives long-term and short-term success in their business. Then, leverage that information to come up with new ways to help them overcome those issues.

■ **Implement cultural shifts within sales.** The sales reps who are on the front lines, working with contractors and specifiers on a daily basis, are a BPM's best resource for harnessing the customer-dynamic shift. When the “outward facing” organization becomes a receiver of information rather than just a giver, the odds that the BPM can step in and start to add high levels of value increase significantly. So often we hear from our contractor clients that manufacturers' sales reps don't listen or only see them as dollar signs. A cultural shift must occur at this level to enact a change in the way manufacturers are perceived.

- **Use the insights to innovate.** Utilize insights and knowledge about your customer’s business model, pain points and the competitive landscape to develop and innovate products to solve those needs. Huber’s Zip System and Johns Manville’s GoBoard are prime examples of how product innovation can increase both product performance and labor efficiency, each of which is very attractive all along the value chain.
- **Reduce their warranty risk.** As an added bonus, both products highlighted in the last point also help contractors reduce warranty risk (mainly because they eliminate the occurrence of moisture-related issues down the road). In other words, when a BPM develops a product that’s superior on the performance scale—and that’s easy to install and reduces risk for the contractor—it makes itself that much more valuable to its customers (and their end users).

## Ironing Out the Complexities

Smart BPMs equip contractors with the tools and models needed during preconstruction to truly add value and ultimately install their products. They also focus on developing products that enhance productivity and those that best align with the changing “influencers of specification,” regardless of who may be filling that role. This all starts by developing a deep level of understanding about the “mind of the contractor” and what the levers are to drive value in their businesses.

Finally, BPMs should strive to become **construction partners** rather than materials vendors or sales organizations. Understand the drivers of success for each member of the value chain and support each of those members along the way. As the E&C industry continues to accelerate, BPMs can use the strategies outlined in this article to adjust quickly—or risk getting left behind.



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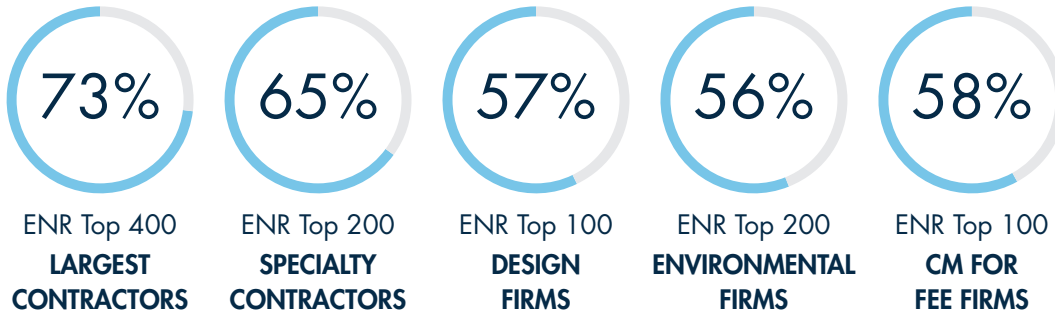
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