

Time to Focus: Competing to Win in the Building Products Industry

By Paul Giovannoni

COVID-19 continues to alter the building products industry. The firms that will thrive in 2021 are turning their attention to setting strategic plans and executing on what differentiates them from the competition.

In “The Discipline of Market Leaders,” Michael Treacy and Fred Wiersema make the case that companies must be proficient in three areas: customer intimacy, product leadership and operational excellence. But in order to be a market leader, a company must find and focus on the unique core value that it can deliver, versus trying to excel in all three areas.

Many managers and executives in the building products industry spent much of last year taking care of emergencies and making sure their businesses would be able to manage disruptions from the COVID-19 pandemic. Long-term strategies and planning were put aside as teams worked to adhere to new operating guidelines, meet shifting demands from builders and contractors, and shore up their supply chains.

While the broader industry in large part was focused on the current operating environment, it didn't remain stagnant. In fact, we are seeing a new, more progressive construction industry emerge,



which creates growing opportunities for the building product manufacturers that serve it. Many of the trends affecting the industry today aren't new or innovative, but they're trends experiencing a pandemic-fueled acceleration in adoption. These trends include:

- **Prefabrication:** COVID-19 created many job site challenges, but it also led to increased adoption of prefabrication and off-site construction from general and specialty trade contractors. The increased use of prefabrication creates an opportunity to adapt new products to this methodology and creates a potential for supply chain disruption.
- **Alternative delivery:** We have all seen the increase in design-build usage on megaprojects, but as the industry focuses on greater levels of collaboration and certainty of outcome, we are seeing it shift toward increased usage on smaller projects. As a result, project teams are increasingly seeking manufacturers' representatives to join their teams and bring knowledge and innovation to those groups.

- **Shift in design authority:** In line with the shift toward greater use of design-build, the pivot toward greater contractor involvement and influence in design continues to accelerate. During the pandemic this increased to help companies adapt to cost constraints, mitigate material lead time extensions and overcome product shortages.
- **Technology integration:** Many contractors are adopting technology to improve efficiency. Each week new solutions are being introduced that improve the design process, provide real-time data insights or aid with submittals. Thanks to this downstream technology adoption, all supply chain stakeholders (including manufacturers) are now expected to increase their technology capabilities and integration offerings.

As companies look past the pandemic and begin to think about what's coming, these and other emerging trends will continue to alter how they do business.

The changing landscape for building products

While the pace of change is accelerating for existing trends, the coronavirus pandemic is also driving the introduction of other new developments that are of interest to building product manufacturers. Several areas that are seeing rapid change include:

- **Materials selection and standards:** Prior to the COVID-19 pandemic, smart building technology or sensor-enabled products were only found in high-end homes or some areas of nonresidential construction. Now, many of these items are becoming standard for entry-level homes. For example, before the pandemic, touchless faucets were considered a luxury or upgrade item. Now, many new builds are including them in less expensive homes.
- **Increased construction costs:** In the last six to nine months, construction costs have surged as contractors changed their policies and procedures

to accommodate new protocols or regulations. Additionally, the cost of materials and products has skyrocketed, leading to an environment where new homes can cost 10% to 15% more to build on the low end.

- **Inconsistent pace of construction:** Construction project schedules have decreased significantly over the last decade as owners expect projects in a shorter amount of time. The desire and intent to deliver projects consistently and on time are still present, but the pandemic has caused the pace of construction to become inconsistent and scheduling to have a greater element of guesswork than was seen in the past.
- **Supply chain challenges:** At the onset of the pandemic, contractor networks were not experiencing many delays or challenges in their material supply chains. This has since changed. Supplies of everything from HVAC compressors to corner bead are experiencing delays and lower allocations from distributors and manufacturers. The strain on the supply chain is only worsening, with those companies that find workarounds and alternatives gaining a leg up on their competitors.

As these trends continue to affect the industry, the ever-present disconnect between manufacturers and their end clients persists. In speaking to my building product clients, the gap in understanding the end market has clearly widened since COVID emerged. This becomes challenging as building product manufacturers start to strategize and develop post-pandemic paths forward. Fortunately, most manufacturers are now taking a more proactive approach to understanding the markets that they're operating in and setting appropriate strategies.

Find the right focus

As the construction industry continues to evolve and solve the challenges brought on by COVID-19 and other shifting trends, many building products firms are turning their attention to how they can best compete.



Regardless of whether the focus is companywide or product-line specific, now is the time to concentrate on what makes a firm or product unique to avoid being mediocre at everything.

As outlined in “The Discipline of Market Leaders,” companies can create competitive advantages and differentiate themselves in three key areas. They are:

Customer intimacy

Companies that concentrate on this area offer personalized services or customized products to meet varying customer needs. To be successful at creating a competitive advantage here, companies need a deep understanding of their customers, processes and challenges.

Ways to achieve this include:

- **Develop direct relationships:** Create direct connections with your contractor clients through a representative network that acts as “partners” versus just “salespeople.”
- **Contractor development programs:** Gain loyalty with contractors by providing value-added development programs that focus on training, best practices and support.

- **Targeted support efforts:** Align with select contractors and owners to demonstrate a partnership and commitment to joint success through rebate programs, direct purchase agreements and value-additive design services.

Product leadership or innovation

Companies that truly succeed long-term in making innovation a differentiator create cultures around new ideas, creative thinking and continual product improvement. That means investing in research and development as well as in the people who have the technical expertise to create better products.

Companies can:

- **Embrace new technology:** Develop and implement technology initiatives to improve connectivity with contractors and align processes.
- **Create innovative products:** Create products that meet the changing end-market demands while also aligning with contractor selection criteria.

Operational Excellence

This strategy is rooted in constant cost controls. Companies that choose to compete on operational excellence streamline their operations through



automation and continual process improvements. Focusing on operations is an excellent strategy for companies that make commodities, have higher volumes or operate in a highly competitive space.

Strategies for creating operational excellence include:

- **Be the “low-cost” alternative:** Provide the opportunity to be the lower-cost alternative that aligns well with value engineering or that provides a solution that decreases the total cost of ownership.
- **Improving distribution and networks:** Identify opportunities to streamline distribution networks or develop direct paths to market.

As the broader construction industry continues to evolve and shift to meet changing demands and pandemic-related challenges, building products companies must innovate to remain competitive. Those that understand the new and accelerating industry trends, and that strategically determine how they’ll differentiate themselves from the competition, will find more success than those that try to be everything to everyone.

For building products companies, it’s important to take time to understand your end market and the needs of your customers. After this analysis, determine how you can best compete and what sets you apart from your competitors. Focus on creating competitive advantages and strategies that help you win business by putting customers’ needs first.

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