



Follow-up on R-Squared: "We're Preparing for Growth"

by Libby Maurer

Being framer friendly and conservative in the first years of business increases the chance of success.

at a glance

- ❑ R-Squared, a framing company, started a small wall panel shop in 2001 to increase efficiency on the jobsite.
- ❑ After several years of gradual growth, the company is preparing for more dramatic growth in the next few years.
- ❑ The Roods have been successful by learning about smart marketing, launching their own version of turnkey framing services, and focusing on personnel development.

It's been nearly two years to the day since **SBC** first met with Robbie and Dean Rood at their Freeport, IL wall panel shop. After chatting with them in between educational sessions at BCMC 2006 in Houston, we decided to check in on the brothers to find out what has changed. Here, they talk about knowing when to take risks, what it takes to sell panels, and why wall panel manufacturers need to focus on educating the marketplace.

The Roods came from a framing background where wall panels were never used. They decided to go into business together in 1995 and by 2001 their framing company R-Squared started a very small but profitable wall panel shop. "We decided to try it because [wall panels] seemed so much more efficient than stick framing on the jobsite," said Robbie.

Turns out they were right; R-Squared's business has more than doubled since late 2004, and they are planning for steady growth into the future. Although they've seen healthy increases on the balance sheet, the Roods still believe in running their business conservatively. They believe what they've learned along their journey is an important lesson for start-ups, small businesses and long-established companies to take to heart. Here are just a few things they've done right.

Setting Goals & Benchmarking

Dean and Robbie say that for their first few years in business, they didn't set many

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long-term goals for the company. "Our sights were set on making it," they said, adding that growth was so incremental that it didn't seem to make sense to make big plans. "Smaller businesses with people who have little business experience don't know that setting business or revenue goals is important," Dean said.

Now that R-Squared is more established, they've started to track their progress and set realistic revenue goals. "This has helped with benchmarking. If we don't set goals and hit certain marks, we can't tell where or when we've grown, when to invest in new equipment, or even when we need to hire," said Dean.

Conversely, knowing when not to grow is also important from a goal-setting perspective. "You have to be very careful not to expense yourself out," he added.

Smart Marketing

Their new focus on benchmarking has made it easier for R-Squared to pay more attention to their marketing efforts. The

brothers say despite coming from a framing background, knowing how to effectively market their product is a learned skill. Robbie and Dean believe the acceptance of wall panels has been slower than they'd like partly because manufacturers haven't fully mastered how to market them.

One mistake, they say, is viewing general contractors as competitors instead of business partners. "We're trying to

partner with them, not compete. If you encourage this type of relationship, eventually they will stop feeling threatened," Robbie said. On the other hand, Dean says it is wise to expect general contractors to react skeptically about using panels at first. "My priority—in the beginning—is to get them to keep an open mind," he said. He

thinks hesitancy in the marketplace to specify panels can be remedied with increased education of the product.

They've also taken seriously their commitment to market the product after making the sale. Dean, who does most of the company's design work, encourages working intimately with roof truss manufacturers throughout this stage. From his per-

spective, it's important to be in close communication because architects' prints are often short on the details necessary to make sure the wall panels and trusses work perfectly together on the jobsite. "Discussing the architectural drawings with the truss manufacturer saves time and money for everyone in this process. If we're not reviewing each other's designs, each party leaves a lot to interpretation."

But why do they view this as a marketing tool? "Because it makes our product look and perform better in the field," they say. "The way I look at it, a customer who has a bad experience is a lost customer for everyone, not just me," Dean said. "You've got a one-time chance to impress who you are working for. Word of mouth makes or breaks your reputation in this industry," Robbie said.

Refining the Business Plan: Provide "Niche" Turnkey Solutions

A gradual evolution in their business model contributed to the Roods' success since our visit in 2005. Their decision to provide their own brand of turnkey framing services to their builder customers was a natural progression. "Our goal is for [builders] to find us irreplaceable, so we developed our own version of the turnkey model," they explained.

Coming from a framing background, R-Squared has always supplied framing labor for their customers. Their "niche" turnkey service involves supplying and coordinating any wood products needed for the job, including roof and floor truss packages built by local component manufacturers and loose framing lumber from lumberyards.

R-Squared says its turnkey services have become popular partially because of the volatility of lumber. "Working so closely with vendors, we've been able to lock in prices for longer. It not only benefits the customer, but it also works to our advantage," Dean explained. They've established partner-

The Roods' Top Five Tips for Growing a Wall Panel Plant

1. Set realistic goals and benchmark your successes and failures.
2. Market the product both before and after the sale.
3. Find your "niche" and revise your business plan accordingly.
4. Evaluate efficiency on a continuing basis.
5. Hire for growth and longevity to build a loyal team.

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ships with lumberyards to provide turnkey, which has taken some of the competitive edge away. "Everyone is partnering with each other in a way that is win-win," said Robbie. "It obviously increases our wall panel sales, and it increases the lumberyards' sales on the other products."

Their customers appreciate not having to do the ordering and scheduling of all the jobsite materials. "Customers like it because it's convenient and takes a lot of pressure off," Dean said, estimating that 30 percent of their business is now turnkey.

Roof Trusses & Wall Panels Are Like Night & Day

It's been said that wall panels are a very different product from roof trusses in terms of how to market and sell them. Dean advises that roof truss manufacturers looking to start a wall panel division adopt a framer's attitude to succeed. "Wall panels are not as much of a moving target if you think like a framer," he commented.

He also said it helps to realize that panels can be a tougher sell than roofs, and that they generally have a lower margin. "The tendency is to have to provide the labor and a lot more materials if you want to make the sale (on panels)," he said. This includes turnkey framing products like plates, studs, different sheathing types (depending on the contractor), header styles, and various dimensions of lumber. With all these variables, Robbie said providing trusses is far easier and more efficient because there are fewer materials. But he reminded it is important to keep your eye on the prize. "We know panels make us more efficient and productive than stick framing. Which is why we ventured into walls in the first place."

In the shop, Robbie says the differences continue: "You might build the same truss several times," he said,



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adding that nearly every wall set-up is different from the next. This is a good reason to evaluate efficiency on a continuing basis.

Make Smart Use of Down Time

Robbie said orders slowed considerably in October and into November of last year. Instead of laying people off, he adopted a healthy attitude and put them to work on updates to their facilities. "We've always taken advantage of slow times. That's when we use the opportunity to improve ourselves, and plan for when we get busier," he said. As a result, cosmetic improvements—insulation on the building and a new façade for the front—have been made to the building. A conference room and reception area were also built, and a (heated!) bathroom was added.

An added benefit of filling up the slow times is an improved relationship with your employees. Robbie said, "[Our employees] know that we're trying as hard as we can to get them a full paycheck at the end of the week and they really appreciate it." Dean says there is great benefit in inviting employees to participate in making their work environment better. "Among other things, it's a pride-building exercise. When the team is involved in a cosmetic change in the company, they are literally seeing the company grow before their eyes."

Thanks to their recent benchmarking efforts, Robbie is already filling his plate with shop improvement house-keeping activities for a slow winter: "We are planning to relocate the line, and hopefully it will improve our efficiency." Making this adjustment when production is slow will give the workers time to get used to the change, Robbie said.

Personnel: Building a Workforce for Longevity

In an industry that is challenged by a volatile workforce, keeping good labor around often seems like an unrealistic

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goal. From a business philosophy, Dean says, R-Squared looks at growth from every angle, including hiring. Since our first interview, they've put a heavy emphasis on hiring for growth. "We've started to focus on longevity when we hire," he explained. "We're looking for people who are open to taking on different roles in the business so our company can grow."



What the Future Holds: Growth

In terms of goals for the next several years, Dean and Robbie intend to hire another salesperson, additional office staff and a few more designers. They've doubled their staff since our last interview, and predict that they could double again in another few years. In the shop, Robbie says R-Squared could significantly increase production capacity without making any new major equipment investments.

Hiring people who want to grow with the company has inspired loyalty among the Roods' workforce. "I'm starting to see a greater level of respect from employees than I used to [a few years ago]," said Dean. "They understand that we are committed to steady growth and improvement, and that builds loyalty."

"We've started to focus on longevity when we hire. We're looking for people who are open to taking on different roles in the business so our company can grow"

One thing is certain; the Roods are committed to growing their business one step at a time. They don't necessarily talk about it, but Robbie and Dean say they both have the same vision for R-Squared. You can bet it has something to do with growth. **SBC**

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