

Reduce Risk & Increase Revenue: Marketing & Sales of Wall Panels

by Jim Boyle

(Part 6 of 6)

The final step in a successful wall panel operation is a detailed plan for marketing and sales.

In the previous installment of this series I talked about the importance of having a detailed and informative computerized pricing program that produces material, labor and final wall panel quotes.

In this final segment, I'll discuss marketing and selling wall panels. Specifically, I'll offer my opinions on the best methods for marketing and selling wall panel products.

Who & Where Are Your Customers?

To begin, it's important to identify your primary and secondary customers. For most panelizers, the primary customer is the general contractor (or a representative of the GC) who understands the front and back-end benefits to building with wall panels. The secondary customer is the framer who wants to reduce labor costs and increase annual production and framing cycle times. A third market segment might include architects, structural engineers, residential designers, developer/builders, and lumber and building supply outlets. I don't normally spend as much time on this segment, but I find myself doing more seminars to the design community, because I strongly believe that in time they will design more panelized systems.

You've probably heard or experienced that panelizers typically have to "sell" framers who are unfamiliar with wall panels on the product's benefits, even if they are not actually purchasing the panels. (The general contractor they are framing for is purchasing wall panels, and in turn asking his framer to discount his framing price.) It's critical that a framer using wall panels for the first time become a fan of panels! If they don't take to the product and realize its benefits, the job will not run as smoothly as it could. So take the time to educate the framer, and assure that the product will fit (per the plans and specifications).

Defining your market area in geographic terms may come down to how far you can economically ship wall panels. I normally confine my market area to under 300 miles (in one direction). I set this boundary because without it, the delivery charges become too expensive and then I'm not as competitive for the customer. On rare occasions I have shipped panels greater distances, and the customer has made the decision to pay for the extra time and mileage. This has occurred in situations with tight construction scheduling (usually with multi-family and mixed-use commercial jobs).

at a glance

- ❑ Identify primary and secondary customers, most likely the general and framer.
- ❑ Some framers have the perception that panelizers are taking work from them, when in reality panels give them the ability to do more work because of decreased cycle times.
- ❑ Long-term marketing of wall panel products is best accomplished with comparisons of on-site versus off-site framing cycle times.

Market Segments

What about market segmentation? For example, if your primary and secondary customers are general contractors and framers, then your primary market segment could be single family builders/framers building more than 100 units per year and multi-family/mixed-use commercial builders with sales over \$25 million per year. If your primary market is too thin to support your yearly production goals, you may have to establish and market to a secondary market with the goal of compensating for the primary market.

It's a good idea to strive for a mix of single family, multi-family, and mixed-use commercial coming through your panel plant. In a slow single family housing economy—like the one we're currently in—it is not unusual for the multi-family and mixed-use commercial market to remain stronger. The reverse is also true: it's not a good idea to run just multi-family and mixed-use commercial without a mix of single-family. Wall

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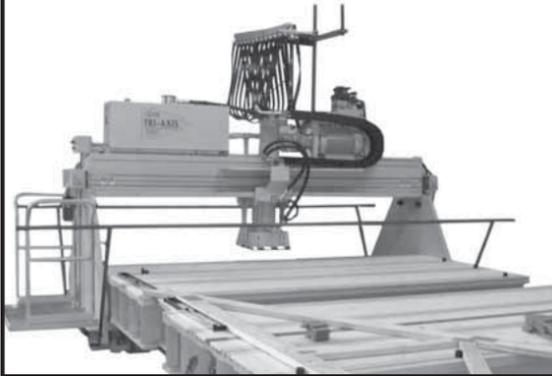
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Reduce Risk & Increase Revenue

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panel plants that have made this mistake will tell you that when their builders' schedules slip or their zoning changes, financing or permits are delayed, you could find yourself out of production for days or weeks at a time. Ensuring a balanced mix of single and multi-family work will help avoid lags like this.

Barriers

Next, let's identify the primary barriers panelizers may have to overcome before selling their wall panel products. Ironically, your biggest barrier may be your potential customer—general contractors and framers. Wow, that seems kind of weird. So why are the primary barriers to wall panel sales also going to be your primary customers? Here's what I've found:

New product perception. The GC's perception of an existing product and process (on-site framed walls) is being challenged because they are being produced and delivered in a different way (off-site framed walls). Additionally, sticker shock is commonly a factor when they see the added front-end costs (approximately ten to 12 percent) over the on-site framed cost, and on top of it, they don't yet realize the back-end cost savings/benefits when wall panels are used. On this point, it is crucial that your wall panels don't exceed the cost of on-site framed walls by more than ten to 12 percent. Panels become much more difficult to sell above those percentage levels, regardless of the reduced framing labor, front-end benefits and back-end cost savings.

Reducing cost. The framers' acceptance of the product is often further complicated by having to reduce their usual cost per square foot pricing (between \$1–\$1.50/sq.ft. for an entry level home) for installing wall panels instead of site framing. To many of them, lowering the price to account for the efficiency of wall panels seems like a negative. They fail to realize, however,

that this reduction actually signifies more revenue over the long term since they can fit in far more framing cycles than before.

Taking work away from framers.

Framers using panels for the first time often have the perception that panelizers are taking work from them, while at the same time asking them to trim \$1–\$1.50 from their usual square foot framing price (to install wall panels). Keep in mind, however, that wall framing typically represents 35-45 percent of the total framing package; but we're not suggesting that the on-site framer discount his price by 35-45 percent. At the same time, they are reducing their payroll costs and increasing their yearly production and bottom line!

With most individuals or businesses, when something new or different is introduced, change is slow and painful. So how can

panelizers overcome these customer barriers and gain significant share of the market? This is where educating the general contractor to recognize the front-end benefits and the back-end cost savings becomes critical in your marketing efforts. Listed below are some talking points you can use when marketing to the general contractor.

- Availability of qualified labor
 - Local and national shortages of skilled framers. Labor conditions will continue to worsen; and wall panels require less skilled on-site labor
- Having a plant-wide quality program, such as the new WTCA QC Wall Panel Program
 - Documented plant-wide quality control, and personnel training program (review part 4 "wall panel quality control/assurance" in the May issue of *SBC*)
 - Less warranty costs from the end user
 - Greater end-user satisfaction and referral/endorsements
 - Greater profits and margins
- Safety, fewer accidents and less lost time
 - Substantial savings possible in workers' compensation and liability insurance on the jobsite when wall panels and component assemblies are used
 - Cleaner jobsite, less potential for lost time accidents, more favorable sub-trade and customer perception during construction and walk-throughs
 - Safer, faster framing cycle times and overall production
- Cost savings
 - Project is completed faster
 - Site mobilization costs are reduced (daily cost the builder pays to physically be on-site or located on a particular lot—this is very substantial on multi-family and mixed use commercial building sites)
 - Less waste, loss, theft and debris removal
 - Fewer carrying costs: faster conversion from a construc-

tion loan to a permanent loan

- Buildings can be leased or sold faster
- Increased cash flow and margins

You should also explore additional ways to demonstrate cost and time savings to potential customers. Through education and historical comparisons, panelizers can now show the on-site framer that when using wall panels and component assemblies, framers will receive specific cost savings and benefits. Here are some of the benefits you can derive from a side by side comparison.

- A guaranteed product and product delivery date with wall panels manufactured to within +/- 1/16" achieved using your own quality control program
- Tighter scheduling and shorter framing cycle times of 25 to 50 percent using wall panels and component assemblies (I have seen some framing crews double their production when framing the same models using wall panels and other component assemblies). Additionally, they will have less payroll costs, increased production, greater cash flow and a better bottom line.
- Framers will see a reduction of on-site management and risk, and less lost time due to accidents
- Fewer requirements for journeymen-level site framing labor (35-45 percent of the framing is completed off-site), typically, one lead framer and two or three helpers (in lieu of two or three journeymen and one apprentice). This translates into less labor payroll costs.
- Design discrepancies in the architectural/structural drawing are found and corrected during the panel plants design review process, thereby not wasting valuable time on-site with the framing crew standing by waiting for dimensional

and design discrepancies/clarifications to be answered by the architect/engineer.

- 80-90 percent fewer back-charges from sub-trades like dry-wall, window and door installers
- Lower workers' comp insurance rates. Factory insurance rates can be considerably lower than on-site insurance rates performing similar framing tasks.

Long-term marketing of wall panel products is best accomplished by personal contact with the general contractor and framing community, using comparisons of on-site framing cycle times versus off-site framing cycle times, presentations/seminars and plant tours. You may not think of it this way, but having a well-managed wall panel manufacturing plant—where plant tours and presentations can be conducted and which highlight the plant's in-process quality control and personnel training program—is also a great marketing tactic.

Having knowledgeable in-plant personnel who completely understand the panel products being offered and all their associated benefits is also essential. Additionally, wall panel sales staff should have a complete understanding of framing practices, and the ability to read and interpret architectural/structural drawings. This puts them in the position to serve as a consultant or partner to the general contractor and on-site framer. Additionally, thoroughly understanding what the general contractors' and framers' concerns and bottlenecks are and how your wall panel products and services will help solve them is critical for the wall panel sale. **SBC**

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