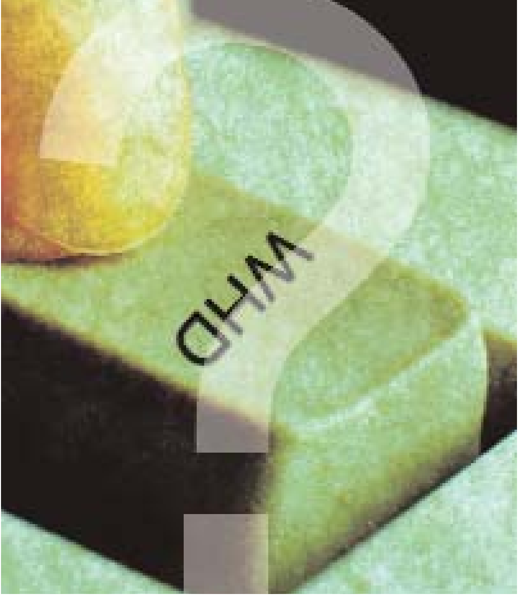

While Whole House Design continues to be one of the industry's hottest topics, consensus among component manufacturers about the future of the issue remains at arm's length. Join the ongoing discussion.

Component Manufacturers Divided on Whole House Design

by Libby Walters

There is a good reason "whole house design" and its notorious acronym WHD have become industry buzzwords. The concept continues to inspire debates among component manufacturers, signaling the potential for a monumental change in the way we conduct business. For those who are unfamiliar to the concept, here is the one-minute summary of the issues at hand:

- Builders absolutely want to turn the land they develop as quickly as they can. This provides them with a greater return on dollars they invest. Accordingly efficiently designing and framing of the houses they build and sell becomes an important aspect of their business strategy. The challenge to design and frame quickly and thus efficiently, ultimately leads to increased pressure on suppliers with respect to building design, material supply and installation.
- The WHD debate revolves around integrating our industry's truss and structural element design work into the building design process. For component manufacturers, the challenge is predicting the impact and inter-relationships with their traditional role: component design, component manufacturing and delivery to the jobsite.

Due to this issue's uncertain path, complexity, changes to the usual distribution channels, and potential to significantly modify a component manufacturer's current business model, it's little wonder that WHD presents a host of concerns for our industry.

- The current industry business models are a highly fragmented combination of the following: independent component manufacturers, lumber dealers, truss designers, building designers, framers and installers, and builder developers.
- WHD could very well facilitate an evolution of the traditional model to one that is more streamlined and involving greater coordination among component manufacturers, truss designers, building designers, and framers.
- Because the best predictor of how an industry will evolve is economics, the driver of this change will be what business structure or combination will provide the best and most economical structural framing solution.
- In the market today, there is also a continual push to eliminate steps in the distribution process or to consolidate to improve profitability. Therefore, it is likely that a good percentage of construction will eventually integrate component design with building design.
- One solution might be for component manufacturers/suppliers, truss designers, building designers, and framing crews to create strongly or loosely formed alliances, joint ventures or single companies to work collectively, thereby providing a "one-stop shop" for the builder owner/developer.
- CMs have vastly different ways of bringing their products and services to market. Some choose to deliver a product with virtually no engineering behind it; instead they have mastered production and made that process as efficient and cost-effective as possible. Others choose to focus on providing added value through design and engineering, and hopefully through these efforts they add

at a glance

- ❑ Whole house design continues to be the talk of our industry. What does it mean to your business?
- ❑ Today's builders are actually land developers; the sooner they are done developing the sooner they get a return on their investment.
- ❑ Builders are increasingly asking for turnkey solutions to their primary land development problem: housing.

margin to the sales they make.

- It is reasonable to predict that the CMs that are already offering highly engineered products are the ones most likely to transition into providing whole building design services. Companies currently focusing on engineering and design are better poised to leverage off of the current level of design service they are undertaking, have most likely learned how to derive compensation or better margin for the product line or level of service they are providing, and are apt to transition more quickly than those component manufacturers who are more focused on the manufacturing and/or distribution sides of their businesses.

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Due to this issue's uncertain path, complexity, changes to the usual distribution channels, and potential to significantly modify a component manufacturer's current business model, it's little wonder that WHD presents a host of concerns for our industry. Change is never easy even when one knows exactly what to do and in this case there is no exact right path to take, so to continue to provide a discussion forum, we'll hear from component manufacturers on how they feel about the potential WHD paradigm shift.

At a February joint chapter meeting in Chattanooga, TN, members of four chapters (ACMA, GCMA, TTMA, and WTCA KY) representing Alabama, Georgia, Tennessee and Kentucky voiced their hopes, fears and predictions for the future of WHD and the industry.

Tom Butler of McGuffin Truss & Components, Inc. remembered controversy over WHD in the fall of 2004. "At BCMC 2004 in Charlotte, there was a roundtable discussion on WHD. It got heated: there were strong opinions for and against it. Some manufacturers want to change their business models to include that value-added proposition; others aren't interested," he said. He was skeptical that a clear-cut consensus among CMs on the issue would ever be reached: "Can we really say as an industry that we are all headed in the same direction?"

Support Docs

For a graphical representation and more detail regarding these concepts, please go to the "Past Issues" section of ***SBC Magazine*** at **www.sbcmag.info** and read the August 2004 and September/October 2004 articles entitled "The Next Generation of Structural Building Components Design (Part 1 of 2)" and "The Next Generation of Structural Building Components Design (Part 2 of 2)," respectively.

Johan von Tilburg of Tindell's, Inc. said from his perspective, the trend toward whole building design is unavoidable. "It's inevitable. All the big builders want to focus on land development; they don't want to build. Eventually [component manufacturers] will be designing the whole structure."

Kirk Grundahl, WTCA Executive Director, agreed that builders are in the "turn-the-land-as-fast-as-one-can" business and everything else associated with land development is a necessary evil. He said, "The key question to ask is how can CMs derive and provide the most value to their builder customers, given the builder's desire to rapidly develop land. Where do CMs all fit into that process and how do we provide the best economic framing solution in the future?"

Mike Cobb of Bluegrass Truss shared their experience with the local builders' alleged trend toward turnkey framing and how this might speak to the issue of WHD. "There was a huge turnkey push in our [Lexington, KY] market three years ago. We thought for certain we'd soon have to embrace turnkey as well, but thank goodness we didn't because that push is over now," he said. It seems as though the market was not mature enough to have turned to that model. Mike noted that in the end, communication seemed to be the impediment to making the turnkey process work in their market.

Another attendee commented on the turnkey framing issue, "Maybe developers want to be completely turnkey. Maybe they're looking for a one-stop shop because they don't want to get their hands dirty. If that's the case, the question for CMs is 'how can we partner with the right people in the distribution channel to provide that whole package?'"

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The key question to ask is how can CMs derive and provide the most value to their builder customers, given the builder's desire to rapidly develop land. Where do CMs all fit into that process and how do we provide the best economic framing solution in the future?

CMs Divided on Whole House Design

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Tom Butler brought the issue of unique market drivers into the debate. "I think it's a model of niches. The industry won't see an across-the-board change in the direction toward or away from WHD. The reality is that it's much more complicated than that," he said.

WTCA Board member and Education & Technology (E&T) chair Clyde Bartlett addressed the concept of WHD from the broadest of views: the best interest of the industry as a whole. "One of the things that makes this issue so challenging for WTCA as a national organization is that we represent big and small companies. The trend toward WHD inevitably works to the advantage of the larger integrated companies and can hurt small company business and business strategies," he said with a tone of sincerity. "It's our job [as WTCA board members] to consider all the implications involved."

Johan disagreed with Clyde's analysis of who would be more successful with the WHD model. "I think small companies have a huge advantage in turning to a WHD business model because we can launch WHD services in a matter of a month, where a larger company can't make the change that quickly," he commented.

Kirk mentioned, "The best question for us to ask is how to derive the optimum value for your customer. One answer may be: I'm going to be a framer, a component manufacturer and a designer. Then you have a value proposition that can more easily embrace and implement optimum value engineering." He added, "The key is to perceive what the market around you wants and find the niche(s) that you would like to fill better than anyone else. It is not a zero sum game."

While the future of WHD's impact on the industry is ambiguous, one message is clear: keep your eye on the ball. Those who don't pay attention may find themselves wondering what happened to them as the dust clears from this epic industry evolution. **SBC**

Are you ready to weigh in on this important issue? Send your comments to lwalters@sbcmg.info or call 608/310-6724.

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