

**VALUE-ADDED:** a product, or service, whose value has been increased by special manufacturing, marketing, or processing

## The New Paradigm

Six years ago, Glenn McClendon of Sun State Nevada in North Las Vegas was a “trusses only” manufacturer. However, when the housing market crashed, rather than retreat, Sun State looked for opportunities to do more.

The industry downturn put a severe strain on profit margins for builders, framers and component manufacturers. In Glenn’s opinion, this stress changed how construction gets done and led Sun State NV to make changes that ultimately boosted the company's productivity and margins.



## Productivity, Efficiency and Value-Added

Manufacturing is no longer about production and time studies. “Productivity” is a term used to describe the efficiency of production. Productivity is not production.

In a recent study, Chuck Eastman and Rafael Sacks compared the labor productivity of constructing components off-site versus similar construction activities of tradesmen on-site. The Economic Census data showed that, in all cases, off-site value-added work is more labor efficient. It is also more capital intensive.

*“Relative Productivity in the AEC Industries in the United States for On-site and Off-site Activities.” Journal of Construction Engineering and Management 234[7]: 517-526)*

“Value-added” is a term used when a manufacturer provides a greater sense of value to existing and potential customers. In other words, when a company adds services and features, without adding labor or equipment costs (higher productivity), the company is adding value (value-added).



According to McClendon, "When things went down in 2007, it was apparent that Sun State needed to offer more than trusses."

## **Increase Value by Simplifying**

While demand increases, builders continue to have difficulty finding skilled craft workers such as carpenters, equipment operators and laborers. In one of the tightest labor markets in years, builders are seeking manufacturers that offer value-added strategies that get the most productivity on-site. Trends are developing with traditional customers, like framers and builders, looking for simplicity and ease of installation, and they were willing to pay for value-added products and services.

For component manufacturers, this type of insight should be a wake-up call. There are all kinds of opportunities to offer added value improvements. This will obviously involve some changes to the design, engineering and construction process, but they also place a significant importance on the capital investment decisions of equipment.

## **The Equipment Equals the Efficiency**

After 30 years in the business, McClendon will tell you, "equipment equals efficiency." The right equipment allows a manufacturer to offer value-added products that simplify installation. The right equipment will make labor more productive. Today, Sun State NV offers value-added services like stair packages and I-joists, along with lumber packages and trusses, with a direct labor rate under 12 percent.



The introduction of 3-D BIM software technology supports greater demand of off-site fabrication and greater use of manufactured components. Anything that simplifies the jobsite and reduces the need for labor that can be added by specialized equipment at a manufacturing facility is value-added. More and more CMs are looking at equipment for

efficiency and offer added-value scopes like I-joists, stair components and wall panel components. Consumers, builders and government agencies are also recognizing that value-added, pre-built construction is more productive, eases installation, is safer, and produces less waste. The time is now to start strategically aligning your firm with value-added services. As BCMC approaches, evaluating what value-added products or services you can offer with your equipment should be your highest strategic priority for BCMC 2014, because equipment equals efficiency.