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Framing the
**AMERICAN
DREAM**



by Sean D. Shields

The Great Value Proposition



California TrusFrame's Efforts to Provide Value to the Market

“Think more about the problems customers face and figure out a way you can solve it by improving upon what you already produce.”

It was unbelievable.” That’s how Ken Cloyd, one of the owners of California TrusFrame (CTF), described the most recent Component Manufacturer (CM) Roundtable discussion in San Antonio as part of BCMC last October. The question was raised on how CMs could provide greater value to their customers, and, in turn, receive greater value for their products and services. “The discussion went around the room for 15 minutes in terms of how CMs could recoup greater value by charging for services that were otherwise not being charged for,” said Cloyd. “The concept that was missing was that providing greater value is about meeting a customer’s needs in a new way, not simply charging more for doing the same thing everyone else is doing.”

Cloyd takes a hard line on the notion of what adding value means, but he’s quick to point out that the truss industry was born out of that very approach. “Homebuilders were building houses with nails, a fastener invented by the Egyptians more than 5,400 years ago,” he says. “The early pioneers of this industry proved that houses could be built better and faster using a metal plate instead of plywood and nails.”

How does a CM provide that same added value, now that a majority of homebuilders use metal plate connected wood trusses?

Cloyd asked himself that same question a few years ago, and the answer he arrived at was Smart Components, a Trussed, Inc. licensed product (see photos above). To understand the value proposition CTF is offering, let’s look at the origins of Smart Components, early attempts to go to market, most recent successes, and what that means for the future.



Photo 1. The builder completed this 5,000 square foot commercial mall project 30 days earlier than planned and saved \$80,000.

California's Plummet into the Ocean

Okay, the Golden State didn't pull an Atlantis and disappear into the Pacific, but if one looks at the drop off in California single-family housing starts between 2005 and 2008 (155,332 down to 33,050), it isn't an overstatement to say that most CMs in the state drowned during that period. In that timeframe, CTF went from supplying components for 30 homes per month (per housing tract) down to four. "It was brutal," said Cloyd. To survive, he started looking into supplying components for multi-family and commercial jobs because the company could get a larger quantity of work out of each successful sales call.

Then, two years ago, those larger types of construction projects in Southern California began to take off (in 2010, there were 19,236 multi-family starts; in 2012, there were 32,080; and by October 2013, there were already 35,788 starts for the year). "It wasn't necessarily a huge boom, but by that point, there were a lot fewer CMs," said Cloyd, who looked at how the company could capitalize on that growth.

"We started by asking ourselves what our customer really needed, and the obvious answer was enabling them to build faster," said Cloyd. "Roof trusses were a mature market, so we started looking at walls as a possibility." The big challenge was that lateral load resisting design values needed to comply with code requirements. Historically, the answer was to sheath everything with OSB or use steel and concrete for these types of multi-family and commercial structures.

The Smart Component concept was a way to use traditional wood truss materials to meet the lateral and gravity load resisting requirements, while also allowing builders to utilize other sheathing materials with improved energy efficiency, water-resistive barrier, etc. performance, and have larger openings. "We started out with the goal of trying to meet one need of our customer, but what we ended up with was something that met several needs at the same time," said Cloyd.

Being Smart About Market Entry

Once the concept was developed and tested, the biggest challenge was bringing the product to market. "We knew we had a great value proposition. Smart Components could deliver

several benefits to the builder, but we had to prove it," said Cloyd. "Everyone wants to be the first to be second. Finding the person willing to actually be first can be difficult."

Fortunately, CTF found one such builder. They approached the builder and proposed converting a 5,000 square foot commercial mall building from conventional materials to Smart Components and componentized framing throughout (see Photo 1 above). The builder had already constructed four or five of these buildings and was familiar with the plans. "We took out all the steel and concrete, and we blew them away from a cost and installation time perspective," explained Cloyd.

In the end, the builder was able to finish the structure 30 days sooner than originally planned, for the exact same building layout. "Thirty days is significant. They were able to convert their construction loan into a permanent loan, which has a much more favorable interest rate, a full month earlier," said Cloyd. "Plus, that's 30 days earlier they can start charging rent." As if that wasn't enough, they saved the builder \$45,000 in framing material and labor costs and \$35,000 in steel. "We were able to exceed their expectations and deliver even more value than what we had promised," said Cloyd.

That builder was the perfect company to build a strong relationship with as they construct mall projects all over the country. CTF was "Exclusively Specified" for the very next job—a 100,000 sq. ft. project in excess of \$1 million—and has four more large projects with them in the works.

The First to Be Second

It makes sense that, once something is proven to be better, everyone wants to be an early adopter because it gives them an edge in the market. Enter a 545-unit project just a block off the famed Hollywood and Vine intersection (see Photos 2-4 on top of pages 22-23). The owner was initially resistant to using Smart Components. However, Cloyd explained, "We had a good relationship and record with the builder, and he acted as an advocate for us." Based on previous experience, the builder believed using Smart Components in the project might not only make his life easier, it would give him an opportunity to exceed the owner's expectations.



Photos 2-4. In this 500-unit project at the intersection of Hollywood and Vine, the builder saved \$300,000-400,000 in construction

It also helped that the Engineer of Record for the building had worked on four previous projects using Smart Components. “He wasn’t going to go against the owner’s wishes,” said Cloyd, “but he had a good impression of the product, based on the feedback he had been given by the framers and building inspectors on those previous jobs.” It served as proof that simply having a good product or idea isn’t necessarily enough; you also need to deliver on your promises, even surpass them, in order to ensure success.

With the project nearly complete, the owner couldn’t be happier with the results. “This guy has built large commercial buildings all over the U.S., but he recently told me this was the most exciting project he’s built,” said Cloyd.

What’s not to be excited about? The builder saved \$300,000-400,000 in construction materials and framing labor. The amount of jobsite waste was dramatically reduced (something that is a huge headache and additional cost in the California market), and the building will be completed far ahead of schedule. That time translates directly to 545 units going up for lease that much faster, which is cash back into the owner’s pocket. “The owner is now a good friend, because the Smart Components concept and CTF came through for him. He trusts CTF’s advice and is willing to see what else we can offer him,” said Cloyd.

“The Smart Components were just the tip of the iceberg for this project; they were what could have helped CTF sell wall

panels, floor and roof trusses for the entire project,” said Cloyd. Now, the owner is planning to build an even larger 600-unit project across the street, and he wants to componentize the entire project: walls, floors and roof components. By CTF estimates, that’s taking a \$2 million Smart Components job and turning it into a \$9 million component framing job overnight.

Success Through Economies of Scale

Componentizing a project of this scale has several tangible benefits that CTF can use in its selling efforts. Beyond the time, framing material and labor savings already mentioned, there are also the architectural opportunities Smart Components give the building designer. The engineered lateral and gravity load resisting walls not only take out the steel and concrete, but they also allow for larger openings than traditional methods.

“Once they find out they can use wood truss-like components, something they are familiar with, and have large windows, they never want to go back to using anything else,” said Cloyd. In some cases, customers even double up the Smart Components to preserve large openings. “It costs them more, but it’s still cheaper and easier to install than steel, and, more importantly, it gives them what the end user wants. They can sell or lease the units faster than the competing building down the street,” he added. That is what CTF means by providing value to the customer—it addresses their needs in ways they don’t even envision on the front end.

Photos 5-6. “Podium” style buildings are becoming increasingly popular across the country as land prices rise.





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“Podium” style buildings like the one near Hollywood and Vine, where the first and sometimes second floor are built of steel and concrete and then three to five stories are built on top of that podium using wood framing, are becoming increasingly popular across the country as land prices rise (see Photos 5-6).

In a recent *WoodWorks* publication, Case Study—Stella, Tony Dittaux, a southern California developer, said, “Everyone now is doing ‘4 over 2’ or ‘5 over 2’ podiums, pushing the densities and going taller. As developers, we’re trying to maximize our height and the number of units we can get on a site. Wood allows us to do that quickly and affordably.” In that same article, *WoodWorks* estimates a commercial project of this scale can require between 2.0-2.5 million board feet of lumber. That represents a lot of components.

“We used to do tract home projects where you do two designs and put out 10 houses a month,” said Cloyd. “Now we design one of these projects, and it can take several months to get it all out the door.” He estimates that the amount of design work is similar between a large commercial project and running multiple tract projects at the same time. The difference is in the shear (pun intended) amount of product going out the door with the commercial project. “If you’re running more than one commercial project at a time, well then you’re just blistering compared to the tract home approach.”

Conclusion

Back in the 1960s, the truss industry took conventional lumber framing and turned that into more-efficient-to-install engineered trusses. In the process, CMs eliminated concrete footers and internal bearings, providing real value to the builder and the owner. “The challenge for this next generation of CMs is to figure out how to take this industry to the next level of value, like our forefathers did in the ‘60s. Engineered solutions like Smart Components are a step toward adding more value like that to the construction industry,” said Cloyd.

CTF sees this as one way in which CMs can provide real value to builders, but knows there are additional ways. “If you’re doing wall panels, drill a hole in each stud to make it easier to run electrical,” suggests Cloyd. “Or, mark where the hangers are supposed to be attached. It doesn’t have to be crazy or hard.” The point is to think more about the problems customers face and figure out a way you can solve it by improving upon what you already produce.

“My biggest concern is that, if we truss manufacturers don’t find ways to provide a better way to do things and create value, if we are content to continue to do what everyone else is doing, our product will simply become another commodity,” said Cloyd. “At that point, it’s all about who can produce it the cheapest, and that’s not what this industry has ever been or should be about.” **SBC**



To view a Time-Lapse Movie of the project at the intersection of Hollywood and Vine, go to earthcam.com/clients/BLVD6200.