

Visit to fence show reveals how industry is steadily evolving

BY TOM LUBY, PROFIT BUILDERS INTERNATIONAL

Wow, have things been changing in the fencing industry! For those of you who had the opportunity to visit the FENCETECH show in Las Vegas in February, you should know what I mean even if you spent just a few hours walking the show floor.

For those of you who did not have the chance to attend, let me tell you that I have never seen a show (and I have been to more than a dozen fencing exhibits) with so much diversity of both vendors and products. I couldn't believe how many new and different people and products there were out there this year.

The prevailing mood and tone of the show was good and very positive, from my observation. I feel that this is partly due to optimistic growth patterns seen throughout the construction trade, particularly in the South and East where the effects of the hurricanes were felt the most, and rebuilding is proceeding at a frantic pace.

I think the feeling at the show was that our industry is in for some strong growth and sustained profitability in the coming years, and I share that feeling.

That may be one of the contributing factors to the fact that there were so many new products and new vendors at the show.

But what does that mean to the industry from both the major suppliers' point of view, and from the perspective of the contractors, installers and fabricators?

Good question. I had the opportunity to speak with a number of participants and attendees alike at this year's show. Here is some of what I learned and deduced from my query:

The composition of the show, and the fencing industry itself, once again

has shifted. Over the past years the focus has gone from chain link and wood to other, sometimes exotic, fencing materials.

Vinyl has maintained a steadily growing presence over the past several years. Ornamental metal has also shared in that growth pattern. But now there are even more unique materials being used in the fencing community.

I actually saw polished steel, brass and stainless steel fencing, as well as glass fencing, and what seemed like everything in between.

There was an assortment of what was described to me as "European" style fencing, a sort of decorative blend of wire mesh and steel that struck me as almost a cross between chain link and ornamental iron.

I saw much more vinyl coated chain link, vinyl privacy inserts and other products made to improve the aesthetics of the steel and chain link product.

Less visible but no less significant were a select few companies offering the latest in ultra-high-tech "smart" fencing. Taking a different path to value added products, this category of security combines hardened perimeter defenses, visual, audio and motion sensors, completely unwired access and artificial intelligence for security solutions suitable even for military installations.

The products themselves are impressive; the business opportunities they open up to fencing contractors and security consultants are even more so.

The only product type I noticed that was not represented at the show was block and concrete fencing and barriers. I have a number of clients that are doing very well with this fence style and I was surprised not to see any man-

ufacturers of that product type represented there. If I happened to miss an exhibit of this product type, please let me know.

Expanded metal, which has been an integral, though not mainstream, part of the fence industry for a long time, was out in force at FENCETECH'06. The huge variety of styles and applications on display really opened my eyes to the potential of the product in fencing applications.

Gate operators and access control equipment seemed to be everywhere, and manufacturers and distributors of this equipment had some of the biggest exhibits at the show.

With concern over security permeating our society, gates and operators have taken an ever more important role in everyday life and security will, I am sure, continue to play a greater role.

In light of the number of wireless control products on exhibit, one participant said that 2006 will be "the year of wireless."

I see a move toward more stable 24 volt DC power. The automation buying discussions that I was hearing this year were based around quality, and ease of installation. The cost of supporting weak product choices was expensive in 2005, and I spoke with a lot of professionals who were determined to eliminate that expense."

Gates this year seemed to be all about high security, and the opportunity of Homeland Security project work.

There were also design refinements to be found in many of the new cantilever designs. K-rated solutions are readily available this year in a broadening number of configurations, and in varying rating levels.

As they become exposed to more enterprise-level undertakings, the fencing marketplace is becoming more comfortable with its new role in complete perimeter security.

Discussions of automation options,

sallyports, turnstiles, locking devices, and CCTV are becoming more familiar territory for our contractors in a changing marketplace.

The deck and railing pavilion was bigger and better than ever before. I noticed a very strong presence of composite materials at the show as well.

I think that this is a very good thing as many more fencing companies are adding new profit centers and varied new product lines to enhance their companies' margins.

Having vendors available for these companies to visit I feel was a benefit to both.

Another comment from a major vendor was "What really stood out at FENCETECH'06 was decking, which many see as the next big add-on sale for fence contractors. While vinyl is the mainstay, composite decking (and fencing) is coming into its own with organic/plastic mixes that offer great looks, pleasing textures, color fastness and 15 year or greater warranties."

There were some rather interesting observations from one of the vinyl extruders I spoke with at the show.

According to my source, while attendance was at an all-time high, there were many more fencing contractors and fabricators that were "shopping" the show than ever before.

It seems that, this year, not as many fencing companies purchased large quantity "winter" buys because most extruders did not offer winter deals this year. This was a direct result of the volatile vinyl resin situation caused by the hurricanes and the fire and explosions that occurred on Oct. 6, 2005 at the Formosa Plastics plant in Point Comfort, Tex.

This, again according to my sources, has changed the dynamics of the vinyl industry and it probably will be another year before things stabilize.

Currently the prevailing atmosphere in the vinyl industry is more of a "buy as needed" and "stock as required" one, and that could lead to re-

duced inventory on the extruders' side and the possibility of some spot shortages throughout the year.

These are just possibilities, but they do exist.

The Vinyl Fence, Deck & Railing Manufacturers Association (VFDRMA) had a very successful meeting and seminar at the FENCETECH show this year.

I was happy to participate, and spoke to a very well attended room about the value of building relationships in the vinyl industry and "value selling" vinyl fence, deck and railing products.

Also at the meeting, it was reported that a great deal of progress has been made over the past year in terms of regulations, codes and accreditations.

The chain link segment of the industry is still striving for the prominence it once enjoyed. The use of chain link has been declining over the past several years, particularly in the residential market.

It seems strange to me that one of the most cost effective methods of providing security and protection appears to be the product line in the most trouble these days. But the focus on Homeland Security and security in general should provide the means for a rebound in commercial and industrial usage.

Another very reliable source in the fencing industry related that the chain link weavers are not having as much fun as they used to.

Supply is up, mainly from overseas sources, and demand is soft. Members of the Chain Link Fence Manufacturers Institute, which represents North American producers, voiced a number of concerns.

I see mergers and/or acquisitions in store for some of the competing suppliers in this arena of the industry. It appears that supply and demand may dictate some consolidation, as there may be too many players for all to compete profitably.

I think that the fencing industry in general, and the chain link suppliers in particular, are seeing a big change in the way we source inventory, and a large part of that stems from vastly improved methods of communication, particularly the internet.

We have seen sourcing go from a regional animal in the 60s and 70s to a national stage in the 80s and 90s to the unprecedented global sourcing environment of today.

This has had a profound impact on the way we all do business.

Again, I feel that diversification for the big suppliers is critical to their survival and profitability, and that is reflective of the current mood.

If you are one of the major fence industry suppliers, you must be able to offer your customers more than just a few types of materials; you must have your finger on the pulse of the industry and be able to offer contractors a wider variety of products than ever before.

That is what the market wants and demands.

Something else I am seeing that is new and very important in the industry is the business support network that many of the major suppliers are offering their dealers, distributors and customers.

"Partners in Excellence" is what one calls it.

By whatever name, what many of the big players in the industry are saying to their "business partners" is just that. We realize we are in a partnership relationship and we are not just here to "sell you something."

Some of the more progressive vendors out there are actually saying to their dealers and distributors, "We are concerned about your well-being, profitability and business success, because without you, we cannot succeed."

To those vendors, congratulations and keep up the good work.

Market pressure, supply and demand, a diversity of products never

available before, the apparent strong building trade growth patterns, the internet and other factors changing how we communicate and market globalization have all come to bear on our little world of fencing, and in the immortal words of Bob Dylan, “The times they are a-changing.”

Tom Luby, through his organization Profit Builders International, has developed the Roadmap to Success program, containing a wealth of business information necessary to successfully run a fencing company. The Roadmap to Success program is available on CD, along with his book, The Close, and The Roadmap to Success user manual. Contact Luby at 954-927-8009 or 866-6-PROFIT (677-6348). Fax 954-927-8060. Visit his web site located at www.profitbuilder.org.