

The crisis of demand

With demand outstripping supply, companies are feeling the heat. Purplex MD Andrew Scott discusses how installers can turn consumer demand into more profitable business – and how now is the ideal time to re-evaluate

Demand is what we all crave when it comes to running a business in any industry. So, it appears strange to be talking of rising demand, as a crisis in the fenestration industry, but that is what is happening.

The industry could be forgiven for thinking it is just bouncing from one crisis to the next. Having seen sales and margins impacted by the referendum, Brexit and a general election, doors then closed completely for three – four months due to Covid-19.

Now it appears we are dealing with a different kind of crisis, with demand outstripping supply. Companies large and small are feeling the pressure as lead-times are extended, service levels drop and prices go up.

Nobody could have predicted the current situation and manufacturers and suppliers across the industry are working hard to increase capacity and stock levels to meet customer demands.

I had an interesting conversation with one of our long-term installer customers recently, which has grown rapidly over the last five years.

The owner is stressed, as they are inundated with leads and orders, struggling with reliable suppliers, and having to deal with customers who are all demanding urgent fitting.

As a sales-driven industry, we want the deal – to get the order or land the customer and figure out what to do afterwards. However, in the long-run, it means business owners are often on a treadmill that is difficult to step off.

Given the individual circumstance of this installer, there are several strategies that would maximise profitability and sanity, both short-term and in the longer term. Now is the ideal time to take a step back and re-evaluate your business from the ground up.

Minimum order value

Filling your order pipeline with single windows and doors at a time when your resources are stretched is uneconomical. Perhaps now is the time to apply a minimum order value (MOV), and here's why:

They encourage customers to increase their orders to meet the minimal value (say from two windows to four windows)

If the customer doesn't want to increase products and accepts the minimum order value it improves your profitability and ensures the job is more viable

If the customer chooses not to go ahead with you, it means your team are freed up to manage the larger and more profitable orders in your pipeline.

MOV's can be adjusted up or down depending on your current lead flow and order pipelines

Review your contract and warranties

Our industry's approach to long-term guarantees adds huge costs further down the line and sucks up precision fitting/labour time. Now is the time to review your

customer contracts, including guarantees.

How many orders would you lose today if you offered a three-year warranty, and an extended warranty as an optional extra? And if you did change your warranties what impact would it have in five-10-years' time? This is obviously a longer-term play, but it is an issue the industry should have addressed years ago.



Andrew Scott

Prioritise marketing spend

Right now, chances are you have a strong lead flow, but that doesn't mean it is time to cut your marketing spend. In fact, it's the time to prioritise your marketing activity.

For example, if installation is the biggest headache right now, prioritise marketing to focus on products that are high value but quick-fits – such as replacement conservatory roofs or bi-fold doors. That way, you maximise profitability on a per-fitting team basis.

Or why not use this opportunity to build your order pipeline? Given that most of your competitors are also busy, extending lead times now will give you a safety net when demand starts to slow. Indeed, there is an argument for maximising your marketing activity right now, capturing maximum business and deferring installation.

Be proactive now

While the market continues to be strong, with consumer spending and the property market remaining robust, I suspect it will soon be time to pay the ferryman. The financial cost of Covid-19 and the lockdown leaves an eye-watering deficit that must be addressed.

At the time of writing, the Chancellor was reviewing £30bn in post-Covid tax hikes, and corporation tax rates and entrepreneurs relief (Business Asset Disposal Relief) are on the agenda.

So, taking the right steps now to review your business and marketing strategy will help prepare your business for an uncertain future. ☐

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