

For Door, Frame, and Hardware Distributors

2024 Industry Outlook: New Business Trends





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Introduction

The past few years have brought no shortage of obstacles to the door, frame, and hardware industry. We saw how the COVID-19 pandemic, the labor shortage, and supply chain disruption created a perfect storm of problems for door distributors everywhere. Though some troubles have lessened, others have lingered and required door distributors to shift their business strategies.

This whitepaper presents a picture of those strategies. Through quantitative and qualitative research that includes surveys and interviews from current door distributors, this paper investigates the state of the industry and presents several current trends for acquiring business in 2024.

Ultimately, this data shows that with the new year comes old problems and a variety of methods to adapt to them. By understanding the industry's obstacles, their own business needs, and the options at their disposal, door distributors can strategize to find success in 2024 and beyond.

Looking Back

In April 2022, Software for Hardware conducted a survey with its customers to discover that staffing issues and supply chain disruptions, ignited by the COVID-19 pandemic, were at the heart of many door distributors' concerns.

In fact, extensive lead times, price increases, and order cancellations led 76% of survey respondents to report supply chain disruptions as having the greatest impact on the industry during this time. Customers also spoke about struggles finding and maintaining skilled staff as waves of workers retired.

With these issues, how did the industry fare in the first half of 2023? On July 17th, 2023, the American Institute of Architects (AIA) published its Consensus Construction Forecast. Their panel of leading economic forecasters found that spending on nonresidential buildings had actually surged in the first half of 2023 with gains approaching 20%.

Specifically, AIA saw strong growth in manufacturing, distribution, and hotel facilities as well as healthcare and education institutions since last year. They expected the growth in distribution facilities to moderate in late 2023, as the “growth in e-commerce activity has slowed since the pandemic, and spending will increasingly be focused on automating existing facilities rather than building new ones.”

While this was good news, past problems have not disappeared. AIA reported that while inflation in the overall economy had dropped during the past year and moderated significantly in recent months, it continued to be a problem for the industry.

In addition, AIA predicted the surge of growth across the industry would also moderate in the latter half of the year as elevated interest rates, labor constraints, and restrictive lending would slow the pace.

Another area of interest in the past year has been reconstruction work. In January 2023, AIA’s construction forecasters emphasized “a steady increase in the share of revenue at architecture firms coming from reconstruction projects” during the past few decades across all major building categories.

Why more reconstruction? The pandemic played a large role. To meet new requirements for COVID-19 protocols, buildings had to be adapted and modernized. Slower growth in the economy likely also played a part, as AIA puts it: “We don’t need to expand our building stock at the pace we did a decade or two ago.” Regardless, AIA predicts that reconstruction will continue to increase if inflation and interest rates remain high.

Consensus		Actual	Forecast	
		\$	% Change	
		2022	2023	2024
Dodge Construction Network	Nonresidential Total	–	19.7	2.0
S&P Global, Market Intelligence	Commercial Total	–	11.2	-1.7
	Office	–	8.0	-1.4
Moody’s Analytics	Retail & Other Commercial	–	10.8	-2.8
	Hotel	–	24.0	7.0
FMI	Industrial Total	–	55.1	5.4
ConstructConnect	Institutional Total	–	10.0	3.6
	Health	–	10.4	3.0
Associated Builders and Contractors	Education	–	10.5	4.3
	Religious	–	8.4	1.0
Wells Fargo Securities	Public Safety	–	3.9	5.3
Markstein Advisors	Amusement & Recreation	–	10.2	1.9
Piedmont Crescent Capital				



The Current Landscape

How has the industry fared since then? Before conducting an industrywide survey, Software for Hardware interviewed its staff and customers to identify emerging trends.

Staff members on the Software for Hardware team with years of experience in the door, frame, and hardware industry concur with AIA's trend that reconstruction work is still on the rise. Ashley Saldivar, once a Project Manager and now the Client Support Manager of Software for Hardware, has noticed distributors moving from working on new buildings to tenant improvement (TI) work.

Cheryl Orsi, Senior Manager of Client Support at Software for Hardware with over 30 years of industry experience, noticed a similar trend: door distributors

taking on fewer big projects and more small projects. This aligns with Ashley's observation, as tenant improvement projects tend to be those smaller projects.

A potential reason for the increase in small projects is they often yield higher profit margins. By taking on many small projects instead of big, complex projects, distributors can make higher profits in a shorter amount of time. Smaller projects also typically provide profit faster because the schedule is faster. There aren't weeks of waiting for new concrete to dry in tenant improvement work.

Al Dennis of Baxter & Flaming specializes in TI work and agrees with this reasoning. When asked about this trend in an interview, he said that people on larger projects tend to take their time with payment,



“I’m noticing distributors gravitate towards tenant improvement projects versus new construction.”

- Ashley Saldivar, Client Support Manager, Software for Hardware

and Baxter & Flaming wants to work with customers who pay on time. Thus, they work primarily on smaller projects across a range of industries.

To investigate other trends, Software for Hardware asked its Customer Council members in a roundtable discussion how they were approaching new business today.

One council member said they were focusing on relationships with current customers rather than seeking out new business relationships. Another member had similar comments: their company was being more selective with the new business they took on. This speaks to the idea that distributors are busy enough with current customers that they don't need to take on many new customers.

Indeed, some distributors are facing a surplus of business. Another council member said that "Our team is busy handling jobs with current customers. We can't afford to take on much new business without hiring more staff first." As staffing problems remain, this distributor works mainly with established customers because they do not have the resources to accept many new customers.

Another emerging trend is safety and security integration. On September 29, 2023, Platinum Equity announced its acquisition of a majority interest in the door security and safety distributor Cook & Boardman.

"Cook & Boardman has built an impressive, diversified business with national scale," said Platinum Equity Co-President Jacob Kotzubei. "Customers in this space want more than just a traditional distributor of doors and hardware. They increasingly need value added solutions, including electronic safety and security systems."

This acquisition shows evidence that there is a demand for integrated solutions – customers don't just want the doors, frames, and hardware but the installation of related security components too.

With evidence of these trends in reconstruction, project size, customer interactions, and security integration, Software for Hardware proceeded to conduct an industrywide survey for further insight from a variety of door distributors.

Methodology

Software for Hardware fielded two surveys. The first survey was sent by email on October 17, 2023 to SFH customers only. It invited them to share their insight in a 2-minute survey to help investigate trends in the door, frame, and hardware industry. Out of 676 emails sent, 37 individual customers completed this survey.

The second survey was sent industry-wide to a list of leads – door distributors who were not current Software for Hardware customers. This survey was sent by email in two batches on October 31, 2023 and November 2, 2023. It contained the same message as the customer email, inviting door distributors to lend their insight for our whitepaper that would investigate industry trends. Out of 970 emails sent, 12 individuals completed this survey.

Both surveyed groups received the same questions. This gave us a total of 49 door distributors across the industry reporting on current issues and strategies.

Over half of these 49 distributors were from small businesses that make less than \$10 million per year (55%). 16% were from mid-sized businesses making \$10-20 million per year, and 29% were from large businesses making more than \$20 million per year.

In addition, most of these distributors are located in the United States: 31% in the South, 29% in the West, 22% in the Northeastern U.S., and 4% in the Midwest. The remaining 14% of distributors are in Canada, with one distributor located in Australia.



Survey Trends

Question 1: What is the biggest business challenge you face today?

When asked this question, 53% of respondents chose “staffing problems.” Following at 31% was “supply chain issues.”, and 6% chose “acquiring new business.” The final 10% chose “other.” This data shows that the major problems reported in 2022 –

staffing and the supply chain – are still problems now.

“The supply chain issues started not long before COVID-19 hit and have continued up to this day,” says Al Dennis of Baxter & Flaming. “In our hardware division, we’ve had to drop some of our longtime manufacturers because they can no longer hit delivery dates.” Moreover, long lead times are a big problem for Baxter & Flaming because TI work



typically only lasts 5-6 weeks. The company had to choose different vendors to get materials on time.

“The issues are starting to get better,” Dennis adds, “but it’s still difficult.”

DeeDee Grant, Sales Manager of Steve Broders Co., expresses concern regarding staffing problems, and she believes this problem has gotten worse over time.

“It’s hard to find qualified people who want to self-educate,” DeeDee says.

Recent data from The Associated General Contractors of America (AGC) reflects this perspective. AGC reports that the overall construction industry added 11,000 jobs in September 2023 as employment rates remained at historically low levels. Meanwhile, the nonresidential construction industry declined by 1,300 jobs.

“Construction firms have plenty of projects but a dip in nonresidential employment... shows how hard it has been to find enough skilled workers,” said AGC Chief Economist Ken Simonson.

On a larger scale, nonresidential construction jobs have increased 3.5% since September 2022 – a positive trend which provides some hope. Still, data shows that staffing remains a top issue for door distributors.

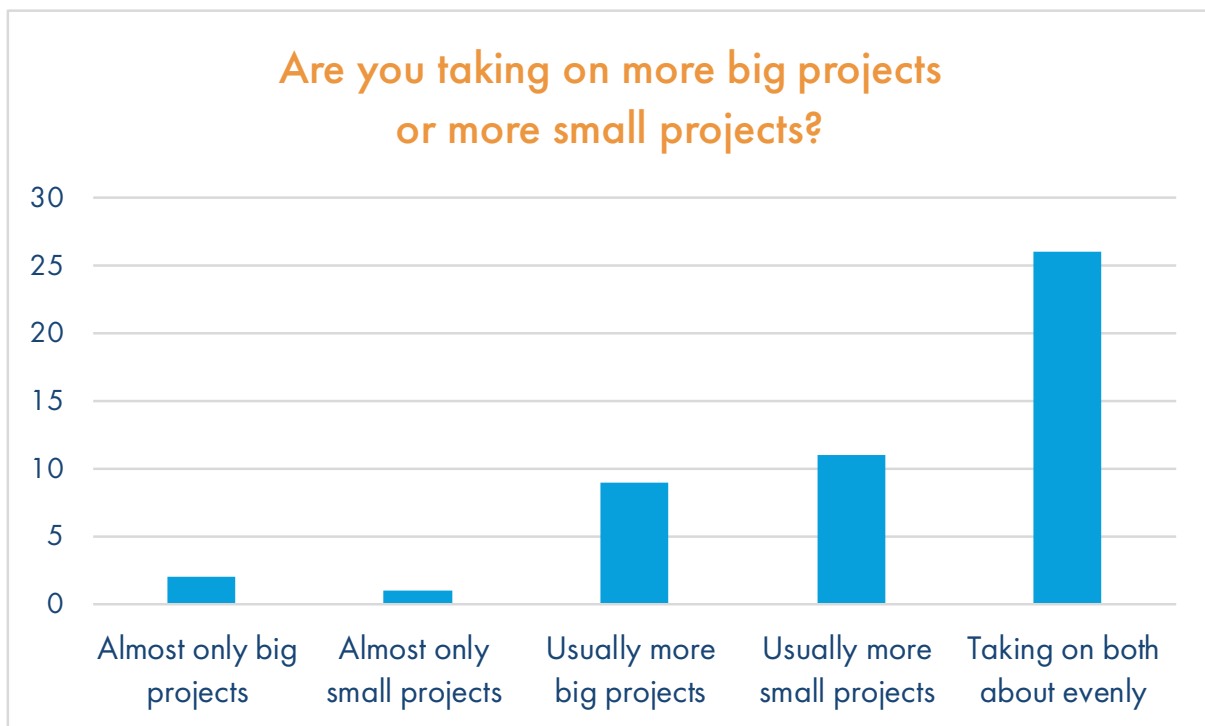
Question 2: Are you taking on more big projects or more small projects?

For this question, 53% of respondents selected, “Taking on both about evenly.” 18% of respondents selected “Usually more big projects,” and 22% of respondents selected “Usually more small projects.”

Only 4% selected, “Almost only big projects.” and 2% selected, “Almost only small projects.”

We see that working on big and small projects evenly is the major trend here. Randy Louk, Project Manager of Kamco Supply Corporation of New England, described taking on both big and small jobs because the project size does not matter to them – what matters is building a future with the customer. They take in projects of various sizes and build long-term relationships with a variety of customers, who then come back for future jobs.

This is not the only strategy for selecting project size, though. With 22% of respondents usually taking on more small projects, and 18% taking on more big projects, both types of work are popular. However, very few respondents take on “almost only big projects” or “almost only small projects.” Door distributors trend towards taking on a combination of simpler short-term projects and complex long-term projects.



Question 3: Are you choosing to work more with new customers or with established customers?

The majority of respondents (57%) reported “Working with both about evenly.” Following closely was 41% reporting that they were “Working more with established customers.” Only 2% of respondents selected “Working more with new customers.”

This data supports the idea that door distributors are not venturing too far from their established customer bases right now. While distributors are still taking on business from new customers, they are leaning towards working with those they have already done business with. Moreover, many door distributors are busy enough that they don’t have to dip too often into the bid market. They can afford to work more with those established relationships.

Al Dennis of Baxter & Flaming agrees, saying that approximately 70-75% of his company’s customer base is returning customers. “I turn down bid requests every day,” he says. “We just wouldn’t be able to handle them all the way we want to. That’s why we’re pretty selective about who we bid to.”

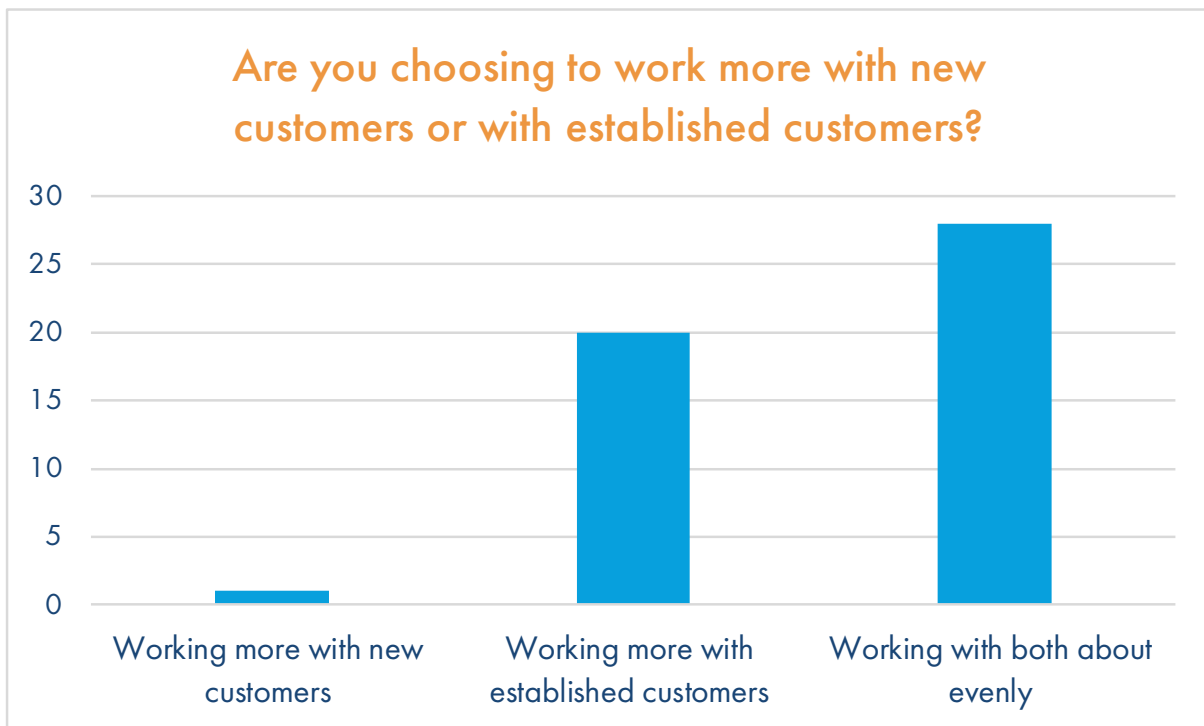
Moreover, he says, “Returning customers know how we like to be paid, and we take good care of those customers.” Because Baxter works with established

customers, they develop a loyal long-term relationship and the assurance that they will be paid on time.

This isn’t to say door distributors aren’t taking on any new customers, as many reported working with both new and old customers evenly. This is another valid strategy that allows distributors to develop new customer relationships for the future at the same time as they keep established customers happy. But we see that many are prioritizing those they have worked with before when faced with a surplus of work.

“I turn down bid requests every day... we’re pretty selective about who we bid to.”

- Al Dennis, Baxter & Flaming Industries



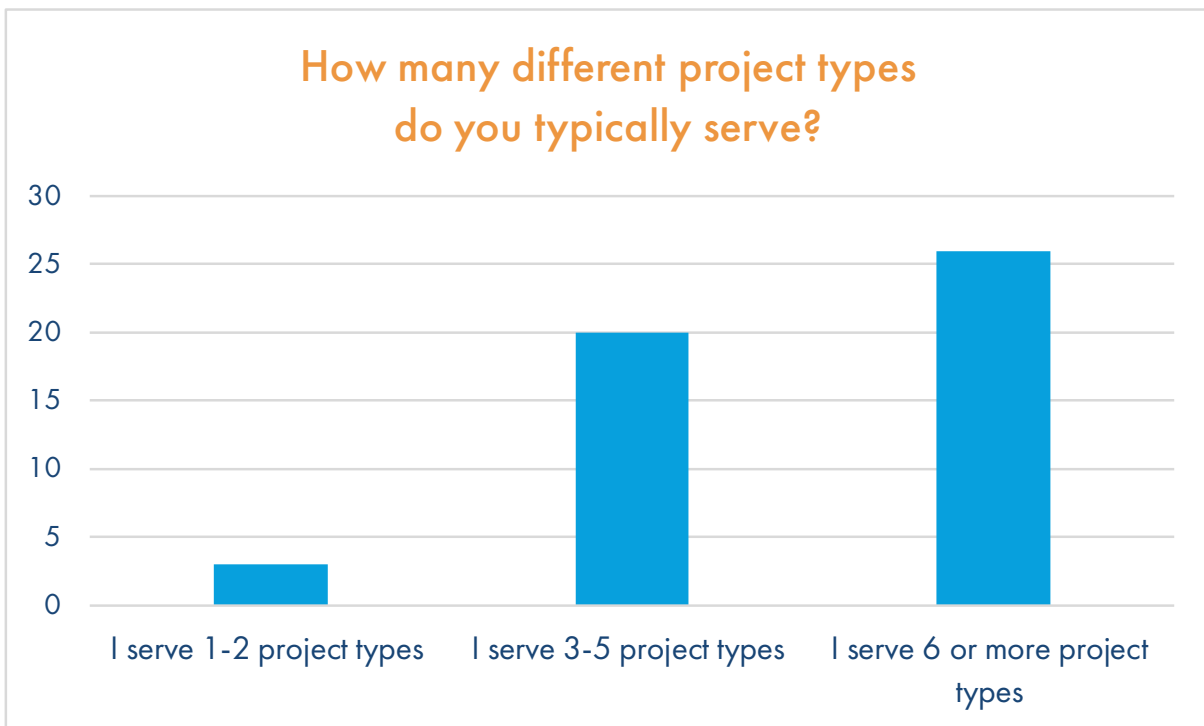
Question 4: How many different project types do you typically serve?

This question asked respondents to identify their typical number of project types. Hotels, hospitals, and offices were given as examples of different project types. This was meant to gauge how door distributors focus on industries to answer the question, “Do they serve a variety of industries or focus on a specific niche?”

About half (53%) selected “I serve 6 or more project types.” Another 41% selected “I serve 3-5 project types.” The remaining 6% selected “I serve 1-2 project types.” This points to a trend of distributors offering their services across a wide range of industries rather than specializing in one or two industries.

Indeed, the survey respondents we interviewed follow this trend. Randy Louk of Kamco speaks of serving across nearly all industries. Baxter & Flaming may specialize in TI work but still works across the board on different project types. Steve Broder’s Co. employs a similar strategy, specializing in TI work but not confining itself to one niche of it.

Working in one niche still has its benefits, however. When a distributor focuses on doing one specific type of work very well, it can become a go-to source for that type of work. Still, a common trend seen is companies reaching across a variety of industries to appeal to different audiences.



Question 5: Do you currently sell/install security integration components?

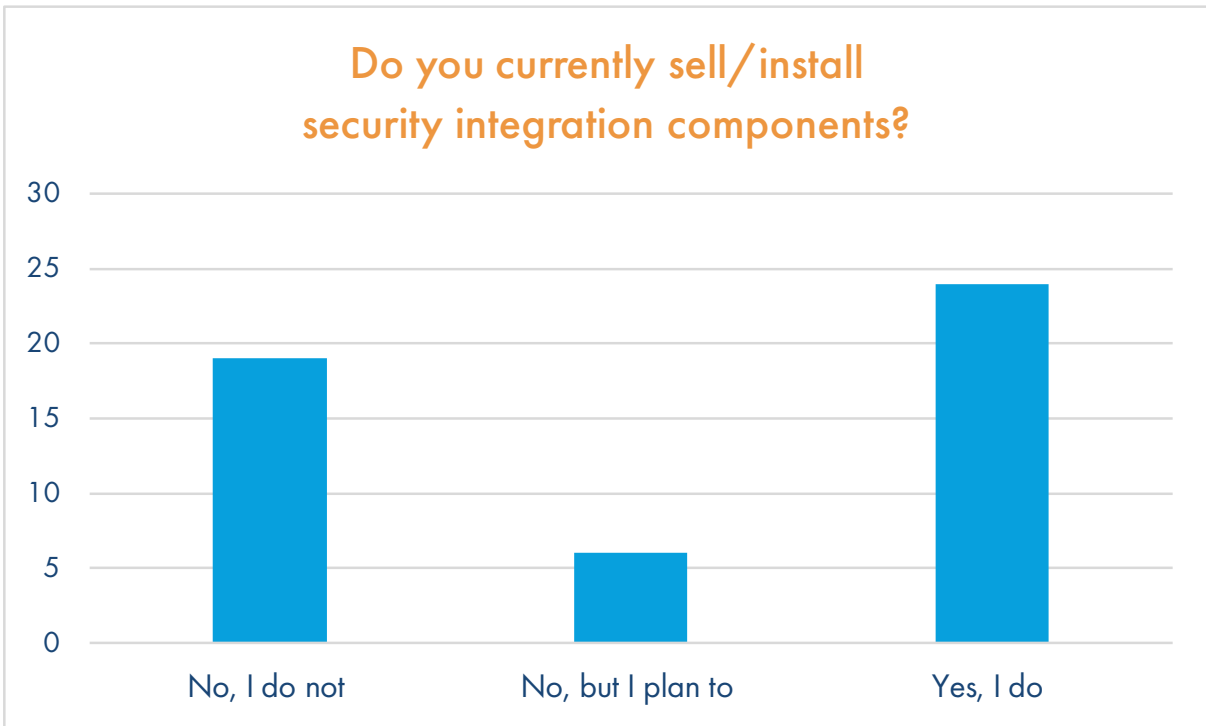
When asked if respondents sold or installed security integration components as part of their services, 49% selected “Yes, I do.” Meanwhile, 39% selected “No, I do not.” and 12% selected “No, but I plan to.”

That means 61% of respondents have security integration on their radar. This supports the trend proposed by Cook & Boardman’s partnership with Platinum Equity that more door distributors are expanding their services to include integrated solutions such as electronic safety and security systems.

They are moving from the “traditional” category of door distributors and offering value-added solutions to explore other areas of business and revenue.

Still, 39% of respondents do not offer these integrated solutions. Many Software for Hardware customers in particular, says Cheryl Orsi, find success with the more traditional distribution of doors and hardware. But if distributors are looking for other sources of revenue, expanding into security components is a strategy to consider as demand for integrated solutions grows.

“Customers in this space want more than just a traditional distributor of doors and hardware.”
- Jacob Kotzubei, Co-President, Platinum Equity





Investing in Technology

Another trend is technology. Despite projections that growth will slow, the construction industry continues to invest in technology. CIO Dive notes that “IT budgets are set to increase in 2023, reaching a worldwide total of \$4.6 trillion, a 5.1% increase over last year according to Gartner projections released in October.” Construction Dive describes this trend, saying that it is due to technology’s efficiency. In an age of staffing issues, technology can make up for fewer workers by streamlining work processes.

Moreover, technology providers who work closely with their customers can build a product

that is tailored to the company and even integrates with their other applications.

“Making sure they [various technologies] can communicate with one another is where I see the trend moving to at this point,” says Jon Chiglo, Chief Operating Officer at WSB & Associates, Inc.

Software for Hardware has followed this trend by integrating its door project management software with Overtur – Allegion’s digital environment connecting all building phases in opening design, construction, and ongoing management. Software for

“In an age of staffing issues, technology can make up for fewer workers by streamlining work processes.”

Hardware also regularly collaborates with customers to create custom enhancements of its software.

This kind of technology can be a vital tool for door distributors today. For those employing the strategy of working on many smaller projects, project management software helps by organizing and processing multiple projects at once.

At the same time, Software for Hardware customers agree that technology and automation can only do so much on their own.

“In a world where so much has been automated, we forget that communication and customer service is really what wins work,” says DeeDee Grant of Steve

Broders Co. “Being phone-friendly is important, and we make mistakes when we rely solely on automated systems without double-checking our work.”

Al Dennis agrees: “I miss the face-to-face, shaking-hands aspect to it all. I think that’s getting lost a bit.”

In other words, integrating technology can optimize workflow and combat current problems, but it should be used in tandem with a human touch, not in replacement of it. As more technology trends in the construction industry over time, this is a helpful strategy to consider.





Conclusion

As inflation, the supply chain, and the labor shortage continue to bring industry challenges, door distributors are combatting them with a range of business strategies. From industrywide survey data and interviews with company executives, we see that many distributors are becoming more involved with small projects and TI work, prioritizing work with repeat customers, working across a variety of industries, and considering selling and installing security integration components as demand for them grows. Furthermore, distributors are using technology to fill gaps caused by the labor shortage.

As we start 2024, construction growth rates are expected to slow, and there is no clear solution in sight for current industry issues. What door, frame, and hardware distributors can do is understand the powerful strategies at their disposal.

Ultimately, door distributors should utilize tools in a way that works best for them. Different businesses will require different strategies. By understanding past and present industry trends, door distributors can make strategic decisions and be well-equipped to adapt and tackle the challenges of the future.





Founded in 1996 by DHI honoree John Petersen, door, frame and hardware distributors across the US, Canada and Caribbean use Software for Hardware® to power their businesses and better serve their customers. From take-off to accounting, over 1,000 door industry professionals use Software for Hardware® to get their job done faster and better.

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