



FOCUS ON CUSTOMERS

TO CREATE A RESILIENT BUILDING PRODUCTS COMPANY

BY PAUL TROMBITAS, JULIAN GOTTLIEB AND JIM HOUSE

In today's built environment, building products can be in favor one day and quickly fade the next.

The number of entrants offering new products can make it seem impossible to keep up, and building products manufacturers (BPMs) often revert to relying on legacy products to generate revenue.

BPMs who are focused on growth typically look to expand geographically, diversify their offerings, develop new products, invest in technology or acquire other companies to stay relevant or increase revenue. While these strategies can all improve the bottom line, they often lack a key component: putting customer needs first.

It's not enough to simply add another product. BPMs must understand what customers want, the problems

they're trying to solve and what's driving their decision making before deciding on product innovations. This sounds simple, but for many building products manufacturers getting this information from end users is complicated and challenging since there can be many layers to the selling and distribution processes.

Gathering customer feedback and then interpreting that into true market insights helps drive long-term strategy, keeping BPMs at the forefront of product innovations that truly add value. By understanding how and why end users are purchasing particular offerings, BPMs can make more informed decisions about product mixes and be nimble enough to adapt to shifting consumer demands.

PUTTING THE CUSTOMER FIRST PAYS DIVIDENDS

Longevity and resilience ultimately depend on a customer's continued willingness to purchase a product or service. Understanding what customers need and the challenges they face is critical. Companies need to grasp how needs change over time to create innovation and long-term growth.

A recent [analysis by Gallup](#) showed that fully engaged customers give 23% more share of wallet, meaning that creating satisfied customers generates long-term revenue. Similarly, [a study by Gartner](#) found that 80% of growth firms actively collect customer experience data, compared with only 58% of nongrowth firms. The growth firms also actively leverage real-time perception and sentiment data, nearly doubling the use of such tools when compared with their nongrowth counterparts.

Often manufacturers lose sight of customer needs when deciding on products and mixes to stock. It's simply not enough to pay attention to trends and what competitors are doing. Companies need direct feedback.

As [previously cited in FMI's work](#), there is a strong relationship between profitable growth and the percentage of a company's customers who actively recommend their products or services to someone else. Creating those raving fans is essential to sustaining growth.

In our work with building product manufacturers, we're often asked to gather feedback for specific product types. Respondents typically report that incumbent products have the smallest amount of growth potential. Were manufacturers to calculate NPS scores at the product level, they might also find that these same products are not always the products that are highly recommended, particularly if disruptive alternatives have already started to build market share.

WHAT IS A NET PROMOTER SCORE?

The net promoter score (NPS), developed by Fred Reichheld, is perhaps one of the most widely used tools when it comes to measuring customer loyalty. The NPS measures the difference between the percentage of a firm's customers who are promoters and those who are detractors (those who are most likely to shop elsewhere and direct others to do the same) by asking a simple question: "On a scale of 0-10, how likely are you to recommend our firm to a friend or colleague?" The creation of such a feedback loop allows companies to understand customer perceptions and identify areas of improvement while helping to foster a culture that prioritizes customer values.





Often older products that have remained relatively unchanged start to fall out of favor with evolving consumer preferences. While there might have been many iterations of these products through the years, they hold no surprises for consumers and generally have the same value propositions as before, even though customer demands have changed.

That's not a problem in and of itself. Older products often generate cash and can hold significant market share. Problems occur when a portfolio of products

doesn't reflect shifting customer needs, indicating a lack of innovation.

Often building products manufacturers create their own versions of products that copy competitors' offerings. While this might help with capturing market share, it doesn't translate into true innovation or product advancement since it lacks one key ingredient: client feedback. Without customer input, the products are stagnant and unlikely to garner noticeable market share.

CUSTOMER-CENTRICITY IN PRACTICE

It's easy to talk about putting customers first, but it can be difficult in practice. Here are a few examples of how building products manufacturers can leverage customer feedback to become the provider of choice.

Recently, a client learned that certain customers were cutting back on their purchases in favor of manufacturing their own products. Instead of trying to win customers back through special pricing agreements or contracts, the manufacturer partnered with FMI to ask their clients what had changed in the market and why they decided to bring manufacturing in-house. By understanding the "why" and identifying new challenges customers were facing, the company gained unique insights. This feedback enabled them to evaluate new alternative solutions and services to reengage customers and strengthen existing relationships, as well as reach a broader audience relative to other, similar manufacturers.

Another example comes from a manufacturer that had anecdotal evidence showing there was high demand for a product that added compressive strength and insulation performance to an existing system. By partnering with FMI to gain fact-based, data-driven insights into the product growth and

evolving material preferences, the client was able to validate which product attributes customers desired most and truly define the ideal product. The client then used these detailed insights to develop a concept that differentiated itself from competitors and met the varying requirements from stakeholders involved in the selection process.

HOW TO PUT CUSTOMERS FIRST

The avenues available for customer engagement are numerous and can include customer interviews, surveys, focus groups, social media and customer service interactions. However, successfully extracting valuable insights requires a well-defined and thoughtful approach. Here's how to get value out of customer feedback:

- **Identify the customer.** Construction products rarely go directly from manufacturer to end user with no input from a third party. Knowing the customer requires an understanding of all the stakeholders who might interact with a product or have a say in its use. Architects, building owners, general and trade contractors, or specialized installers may have input, regardless of whether that stems from sustainability initiatives, code requirements or personal preferences. Understanding each player's position in the chain will then dictate where to ask for feedback.

- **Focus on the desired outcome.** When gathering intelligence from customers, it's important to drive the conversation toward the customer's desired outcomes rather than their ideas for a solution. Developing a product is the purview of the manufacturer, not the customer. Separating the value a customer requires from the constraints of existing solutions is how manufacturers can create new or innovative ideas.
- **Quantify the results.** Having conversations with customers can be a great way to gather subjective information and develop a better understanding of their points of view. But companies may need more than informal conversations to make data-driven decisions. It's important to test hypotheses with responses from a significantly sized group of respondents. This ensures a strong foundation for future decisions.
- **Innovate the solution.** This process takes the outcomes of the gathered insights and translates them into new products, services or attributes that customers want. Innovation is key to developing effective responses to consumer demand. It can fuel technological improvement and enhance brand recognition or reputation. It can also lead to the creation of intellectual property that lends manufacturers a competitive advantage.



Understanding who the customer is and what it is they value is necessary for anyone seeking to be customer-centric. Customer-centricity is both a strategic imperative and a catalyst for innovation. As Peter Drucker said, “The question ‘what do customers value?’ – what satisfies their needs, wants and aspirations – is so complicated that it can only be answered by customers themselves.”

By aligning business strategies with the customer’s desired outcomes, companies can create and maintain innovative, resilient and profitable businesses and be better positioned to both understand and respond to shifts in the industry. That proactive nature will in turn help manufacturers maintain or grow a favorable position over the long-term and prevent the creative lethargy that can rear its head as competitors vie for market space.

GATHERING AND ACTING ON FEEDBACK MATTERS

FMI often witnesses how building products manufacturers think they’re listening to their clients, but in reality, they rarely do an effective job during this part of the customer feedback process. Gathering the right feedback is difficult, but even more so, how you transform that feedback into actionable insights is one of the most important steps in the product-innovation loop.

Here are a few tips:

- Honest feedback doesn’t always go over well. Product development or marketing departments may not want to hear the truth. Instead, they may protect the product they have worked hard to develop. After all, negative feedback can make them look bad and set them back on product launch schedules.
- Asking the right questions is critical. Figure this out early, and the overall customer feedback process will be much more successful. Focus only on the most important questions.
- The wrong things may be incentivized. Products teams that receive negative feedback and don’t meet their quotas may be penalized for taking appropriate action during bonus season.

AUTHORS



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