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### ROOFING CONTRACTOR

## Roofing Industry Faces Unprecedented Supply Disruption



April 27, 2021 Art Aisner The message is as stark as it is simple — the roofing industry is experiencing a <u>supply chain disruption</u> that's unlike any other in recent memory. And it's going to be a while before it gets better.

"We're having that disruption in almost every area, and some in ways you may not even see," said <u>National Roofing Contractors Association</u> (NRCA) CEO Reid Ribble during a special webinar on the topic that drew roughly 500 participants from around the country.

A series of factors are to blame — none more striking than a true global crisis with <u>COVID-19</u>. Lockdowns that essentially stopped buying and manufacturing processes for two months had a cascading effect on the industry that continues to be an issue. In addition to raw material pinches felt in the manufacturing chain, Ribble said issues with transportation — trucking in particular — are also impacting how roofing contractors can stay on schedule.

Other events. like the <u>Texas freeze</u>, blockage of the Suez Canal, and an ongoing trade war with China contribute to the trickle-down effect.

While roofing contractors have experienced stressed supply lines before, this situation is uniquely different, said Mark Graham, NRCA's vice president of technical services.

"The industry is used to shortages and lack of supply issues, but not in March and April," he said.
"We're seeing problems with availability very early in the roofing year and that's not going to clear itself very quickly."

Both Ribble and Graham said it could be one full roofing—season cycle before supply levels return to normal.

#### What to do?

Given that outlook, roofing contractors need to be especially mindful of managing customer expectations, which likely means taking a closer look at contracts. Agreements with a specific schedule of completion and requirements that include liquidated damage clauses are especially problematic in a time of price volatility and supply shortages.

Graham went over some contract provisions that help lessen or share the risk for construction delays due to materials, but both he and Ribble said communicating and letting people know your expectations will be key.

"Who wants to be the bearer of bad news, but it's critical to do this," Ribble said. "You have to let them know if you can bring their expectations in alignment with their reality ... you will reduce their level of disappointment."

Graham encouraged contractors to get a handle on lead time and to do some realistic projections on material demand for their region. He also said it may be advantageous for contractors to try and do this extensive research pre-bid to help manage expectations and set themselves apart from others.

"Let's start that communication early instead of a little later," he said.

Graham suggested offering positive solutions, even if untraditional, such as spreading work over multiple breaks to coincide with anticipated shipments. He also talked about the importance of monitoring material and product substitutions, which are ramping up.

#### **The Timing Matters**

For all its downsides, the pandemic did create some new business opportunities for roofing contractors ready to take advantage.

Health and safety concerns forced Americans to put typical soft-spending priorities such as vacations, family gatherings and entertainment aside. That became more of a difference maker in the residential roofing market. With most forced to work from their homes, a lot attention also focused inward on home improvement projects, including "hard-spending" purchases like roofs. Adding to both scenarios were three rounds of federal stimulus money.

While that part of the market is strong, Ribble said there is reasonable concern that as vaccines take hold and the virus situation improves, soft-spending tendencies will return. That will leave a hole in residential roofing demand, regardless of the storms season.

Commercial contractors are facing a different challenge. Delays in project timelines, workforce shortages and new health and safety protocols had the commercial segment of the industry mirroring recession-like conditions as the first quarter evolved. Mix in problems with material availability, and contractors will find themselves in similar situations when demand for lumber and shingles exploded.

Roofing contractors are already seeing problems with procuring light-gauge metal, fasteners, and now insulation boards. Membrane products likely aren't that far behind, Ribble said.

"All of these factors have come together in a true perfect storm," he said.

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