

Northern Exposure

How Industry Companies in Canada Are Doing Business and Preparing for Growth

by Ellen Giard Chilcoat



Until this year, the North American construction outlook has been bleak. Many companies once focusing on high-end, commercial projects have had to go elsewhere for work, taking on jobs in the various public segments. This year, however, brought some good news: commercial construction is on the upswing.

Consider the growth Canada is seeing. According to the Canadian Construction Association's (CCA) industry forecast, construction is expected to rise by 4.5 percent in 2004, and 2005 growth is expected to be up by 3.9 percent.

Unlike the U.S. construction industry that has been struggling, Canada has not been affected to the same degree.

"Canada's market has been a little stronger," said John Barber, president of Barber Glass, a glass fabricator in Guelph, Ontario. "We haven't quite seen [the downturn] the United States did."

The city of Toronto is just one example that illustrates the direction in which Canada's construction industry is headed. In November 2003, the city issued nearly \$74 million in commercial building permits, a 7.2-percent increase over the previous year. The CCA also ranked some of the largest projects in Canada (according to construction dollar value) and one, the expansion of Pearson Airport in Toronto, tied for the number-four spot at \$4 billion (approximately \$2.9 billion USD).

With the area's construction on the rise, architects, specifiers and building owners won't have to look far to meet their glass needs. The Toronto area could very well be classified as a glass hub, as numerous glass companies operate in the area.



Fulton Windows

Founded in November 1977 by Fred Fulton, Fulton Windows serves the commercial glass industry, specializing in factory-assembled, unitized curtainwall systems and windows, most of which are used in high-rise buildings and institutional projects. Today Fred Fulton is semi-retired, but his three sons, Fred, Frank and Bob, manage the company's daily operations.

For Fulton, being situated just outside of Toronto makes for a near perfect location, as there is so much in the area in terms of suppliers.

“Toronto is a great place for the glass industry,” said Frank Fulton, vice president, operations. “There is a fabulous amount of suppliers within 20 minutes.”

“There is no other city that has the same supply base as Toronto,” added Doug Lilja, general sales manager. This supply base has allowed Fulton to focus its efforts completely on engineering and fabricating the system; it does not extrude (the company has five extrusion suppliers in the area) and it does not do painting and finishing. “It makes us more cost competitive because we're able to buy at market price,” said Lilja. “The value-added we give is in the engineering and assembly.”

He continued, “The more focused [a company is] on the [extrusion] presses, the less focused it is on selling the product.”



Providing a Service

Growing a business, expanding the market and reaching more customers may seem like typical goals, but that's not the case for Barber Glass. Eighty-five percent of its business is done in Canada, 10 percent in the United States and 5 percent outside of North America.

"We have a very simple business plan. We take care of our own area and what we're doing [here] first, and then we worry about the balance," said Barber. "If we've got room to grow in that area, we'll grow."

But worrying about competition isn't something Barber Glass entertains.

"It's difficult enough to manage your own business, let alone manage how your competitors do business," Barber said. "We don't really look at [certain situations] as being competition. We are in a pretty good financial position so what we end up doing is walking away from [some] situations versus competing head on, and we find that to be far better and far smarter in the long term than going after price all the time."

The market coverage for Trulite of Mississauga, Ontario, is a little more complex. On a direct sale to customer basis, 90 percent of its product is sold in Canada and only 10 percent in the United States. However, of that 90 percent the company expects that a good percentage goes into projects in the United States.

"That figure varies, but it's at least 30 percent," said Gerry Duffy, president. Trulite also finds that with the large, surrounding glass market, most of its competition comes from the Toronto area.

"The only way to truly compete and give value and receive value is through quality and service. You can't get away from it," Duffy said. "Our objective is to ship every order complete and on time. It's not always possible and it's not always done that way, but it's the mandate of every single employee in this company to ship complete and on time."

For Applewood Glass and Mirror of Mississauga, Ontario, competition was one reason it began shifting its focus toward unitized curtainwall.

"One of the reasons we've been doing more unitized, pre-glazed curtainwall is because there are fewer players who have the resources and facility to do this type of work," said Tony Menecola, president. "You still have to prove yourself and you still have to convince owners, architects and contractors [that you have the capability to do the work], but the competition is fewer in numbers."

Menecola added that the economy also affects competition.

"Things get tough when the economy slows down. [There's] too many glazing contractors and not enough work to go around," he said. However, from a supplier standpoint the abundant glass market in Toronto works to Applewood's advantage.

“We have many manufacturing sources to go to,” said Menecola. “This keeps prices very competitive and improves lead times.”

Barber Glass Industries

John Barber, president of Barber Glass Industries in Guelph, Ontario, knows what he wants for his company, and isn't afraid to go for it.

“We've always had the guts to go out and do things when others would sit back and not,” said Barber. As an example, consider the company's evolution.

The business was founded by Barber's great grandfather, R.H. Barber, in 1883 as a painting, glazing and decorating business. His grandfather, T. Ross Barber, evolved the company into more of a commercial glazing operation and by the time his father, D.S. Barber, took over the business in the 1940s it was completely commercial glazing.



John Barber joined the family business in 1977, and admits that commercial glazing and working with the retail public were not his favorite parts of the business. So, in 1988 he added beveling and edging to the company's capabilities and entered the wholesale fabrication business.

In 1990, Barber's father passed away, leaving the business to his son.

“The first thing I did was get rid of our commercial installation business, scaled down our installers from 30 to five, and pushed into the wholesale fabrication business,” said Barber. “In 1992 we bought a bankrupt company, which had a tempering line ... and that started our tempering business.”

Today, Barber Glass has two locations. Its main production facility operates in 83,000 square feet; a separate retail facility, also in Guelph, is 27,000 square feet. The company has two tempering lines, one laminating line, as well as equipment for beveling, edging, sandblasting and screenprinting.

Value-added products are the company's main focus.

“With low-end fabrication [such as mirror], there's too much competition and we don't want to be in that business. Distribution, too much competition and we don't want to be in that. We only have two competitors in Canada in the screenprinting business, and five in the laminating business,” said Barber. “Some of the stuff we're doing with laminated glass is pretty high-end, value-added, which is where we want to grow the business. We don't want to buy for a buck and sell it for a buck-twenty. We want to be able to sell it for \$3.50.”

An example of a project in which Barber was involved that illustrates some of what it is doing with laminated glass is the recently renovated terminal one of Toronto's Pearson Airport.

"We designed and developed a [laminated] floor panel for that location," said Barber.

The company is also heavily involved in safety and security glazing.

International Presence

While the majority of its work has been in Canada, Fulton Windows, located in Mississauga, has been involved in numerous worldwide projects.

The company ships more than half of its product outside of the United States, and has strong offshore markets also.

And, while competition comes from both the United States and Canada, depending on the market, the industry remains a competitive one overall.

"The local market is the hardest one in which we compete because there is so much supply here," said Doug Lilja, general sales manager for Fulton.

"The main thing we're selling is technology [and] our services to the glazing contractor to get the job done, said Fulton. Price is a factor ... but the engineering and fabrication is our forte ... selling the service is the hardest thing to be the best at."



Trulite

At a time in the industry when large, corporate players are buying independent fabricators, there's at least one independent holding true. Located in Mississauga, Ontario, Trulite is a major player in the insulating glass industry, and has been on the forefront when it comes to innovation and technology, quality and standards. In business since 1975, the company was founded by Archie

McInnes, who's now retired, and Peter Alexander, who still serves as chief executive officer.

Founded as, and remaining, an independent company is one attribute that has helped Trulite differentiate itself.

"There isn't anyone else out there that's been around for 29 years as an independent," said Gord Wagner, vice president, operations.

In its 88,000-square-foot manufacturing facility the company produces insulating glass units, spandrel glass and tempered glass. It has also entered the business of applying films to glass. In addition, Trulite has a 60,000-square-foot distribution center that provides a



variety of glass products including laminated, wired, pattern and float glass.

Trulite serves a customer base that ranges from large, commercial curtainwall manufacturers and installers to small glass shops.

“It ranges from the very large, multi-national companies to the very small, two-person shops,” said

Gerry Duffy, president, who added that through their glass distribution center they also serve the residential market.

Trulite is a certified fabricator for both Guardian and PPG as well.

“That enables us to complete projects quicker and on time,” added Duffy.

Another area important to Trulite is its involvement in what is now the Insulating Glass Manufacturers Alliance ([IGMA], formerly the Insulating Glass Manufacturers Alliance of Canada).

“We have been represented on the board for the last 24 years continuously,” said Wagner. “Archie was on the board for three years. In 1984 I was on the board for nine years. Ray Wakefield (Trulite’s architectural sales manager) has been on the board since 1993 ... I think that brings out some of the integrity that the company has, and that the rest of the industry recognizes.”

Maintaining an Edge

With so much competition, both locally and from the United States, companies must find ways of maintaining a competitive edge. One way to do that is to stay on top of the latest advancements and technologies.

“We look at every bit of technology that comes out, and assess whether there’s value in it,” said Barber.

Not being afraid to take risks, and being willing to go against the flow can also help a company stay competitive.

“In [the early to mid 1990s] everybody else [other glass companies] was pulling back and cutting overheads, I was adding overheads and adding equipment,” said Barber. “That evolved heavily to the late 1990s, and we had a huge start over our competitors.”

Trulite agreed that staying on top of technology is important.

“We keep abreast of everything that’s coming along,” said Duffy. “Throughout [our] history the company has been known as a leader in expanding. Trulite has always spent money for the future ... there’s always been a willingness to look at the industry and re-invest in ourselves.”

Following design trends and product development has played a part in Applewood’s

growth as well.

“Now that more [curtainwall] manufacturers are providing unitized systems, it makes it easier for us to compare costs and find what works best for us on a job-by-job basis,” said Menecola.

Challenges

As in any business, there are challenges to face and overcome, such as maintaining a skilled labor force.

“This business is very skilled-oriented,” Barber said. “You don’t just bring someone in, say here’s a cutting line, go to it and don’t hurt yourself. It takes a lot [of understanding] for them to really know what they are doing.”

Another challenge that Barber has recognized is the increasing presence of China and its “dumping” of glass into the North American market.

“China is going to play a big role with those companies that buy in volume and size,” he said. “The big issue with China, is five years ago their product [was not high quality], and you could tell your customers that. Today you can’t, because the quality is getting better.”

Duffy agreed that while they have been affected by China, it’s much more evident with laminated glass.

“There’s no question that North American businesses will have to address this,” Duffy said. “No one benefits from dropping prices.”

One of Trulite’s big challenges is satisfying customer expectations.

“The customer is always right, but sometimes [their] expectations are too difficult to achieve,” said Duffy. “Anyone can make promises, but that doesn’t get the job done ... we will do our best to try and make it happen when we say it will happen. From our experience with customers we have found that if you’ve agreed on a date, even if it’s a little longer than they’d like, if you keep to the schedules that you’ve agreed on, in the long run it saves them money.”

Trulite also spends a lot of time with architects.

“It wasn’t that long ago [that it was difficult to read a spec],” said Andrew Kennedy, architectural sales manager for Trulite. “The architectural community is well-informed and well educated. They know where we are and they know where our competitors are.”

Applewood’s Menecola agreed.

“There are times when [dealing with architects] is frustrating because they don’t always understand why things can’t always be done the way they have been drawn,” he said. “But, for the most part, once they are comfortable with us they tend to listen to our suggestions.”

The fact that the industry is moving at a fast pace can also be challenging. Frank Fulton explained they are seeing an increase in necessary design considerations and requirements.

“You have to stay on top of technology, and also understand what all these requirements mean.” Fulton said



Applewood Glass and Mirror

If you're ever driving into Toronto on the Don Valley Parkway, look to your right for the BMW Toronto building. The view of the structure, especially at night, is simply spectacular. The front of the project features a point-supported glass wall; curtainwall runs along the perimeter. It's an example of the direction much of the industry is headed—increased transparency.

Applewood Glass and Mirror of Mississauga, Ontario, won the glazing contract for the BMW project, and installed both the point-supported system as well as the curtainwall.

“We had done some smaller point-supported jobs, but this was the largest for us,” said Tony Menecola, president.

Following trends, such as point-supported glazing, has helped Applewood grow. Celebrating its 25th anniversary this year, the company mainly handled storefront and small office and industrial projects until about five years ago. Since then Applewood has been taking on an increasingly larger number of unitized curtainwall jobs.

“As the market and economy have changed we've adjusted our focus,” said Menecola. “We do two or three major curtainwall jobs a year and use the smaller ones as fillers.”

Based on the amount of construction currently underway in downtown Toronto and surrounding areas, Menecola said the market has remained favorable.

“It's been fairly strong; last year was one of the better years in our history,” he said. “The Toronto market has been steady. We weren't hit by the economic downturn in the United States up here. There have been those times, though, when you have to adjust and look to other areas [such as public work] to survive, but we anticipate this will be a good year, and at least the next couple of years as well.”

Future Growth

With operations running smoothly, these companies are looking ahead.

Fulton has followed the industry's shift toward protective glazing.

“We're currently developing impact products for the Florida market,” said Fulton. The company is also starting to get involved in blast-resistant and protective glazing systems.

Also on the forefront for Fulton is creating thermally improved curtainwall.

“We’re seeing more and more thermal considerations,” said Fulton. To satisfy those needs the company has begun looking into developing products such as sunshades.

Though not in its short-term plans, Barber said his company will eventually enter the IG market. “Until we are pretty self-sufficient it wouldn’t be a venue,” said Barber. “But long term, yes, we’ll go into the IG business.”

Trulite also expects to move forward.

“Our primary objective is to continue to grow in the marketplace, to look at other potential marketplaces and complementary businesses ... there will certainly be other product lines added and [we’ll] relocate to a bigger facility at some point not too far down the road,” said Duffy.

For Applewood, Menecola wants to grow, but at a modest level.

“We’re still considered a small company, and I like that. I’m a hands-on person,” he said. “I’d like to expand, but I want to keep hold of the reins a bit—it helps in bringing that personal touch to the job, and if you’re too large you can’t do that.”

And if the GTA continues on the path of construction it’s currently on, companies in the area will have plenty of opportunities to offer that personal touch.

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