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THE A-WORD • 2022 BUYERS GUIDE • NEW PRODUCTS

THE A-WORD

by RICH PORAYKO


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The pipeline that feeds glass products, equipment and accessories from Europe and Asia to North America is clogged, and it appears the only thing that will unclog it is time or a correction. Adding to the crisis is an escalating labour crunch that is hobbling the companies fortunate enough to actually source product.

Glass Canada magazine spoke with three different Canadian glass fabricators and a window manufacturer, all who wanted to remain anonymous. Locations have been omitted and names are pseudonyms. No glazing contractors wished to participate on or off the record.

"It started in spring of 2020," says "Mike Winters," general manager at a Canadian glass fabricator. "Who in their right mind would have predicted that COVID would really spur a construction boom in the fall? If you get caught with too much inventory, you can go broke. So, everyone was cutting back. And then

Winners and losers in the allocation game.

when fall came, the public was locked down again with a full bank account and nowhere to travel. Most people were bored and had disposable income they couldn't spend. Supplies were short because industry was adjusting for the recession and then, boom, demand spiked at the time of short supply and the perfect storm hit."

"Even the floats didn't see it," says Winters. "I was told on a Wednesday that I had nothing to worry about because they were going to look after us. 'You guys are NOT going on allocation. You're fine.' Six calendar days later I get a call saying, 'I'm so sorry but we're going to have to put you on allocation. Effective today.' It really caught everybody off guard. Glass and building supplies became like toilet paper. Everybody started ordering truckloads. People started hoarding glass. We were too."

"We're at 4-6 weeks delivery and we're getting jobs because of our lead time," says Winters. "I haven't talked to anyone in the

ABOVE: Shipping delays are leading to more and more drawn out delivery dates, if the shipments are coming at all.

commercial side that isn't sold out; however, residential has really taken a jump because everyone is working at home."

"We've all had to cut off customers; however, there are rumors that one fabricator cut all customers that buy under $50,000 a month. We get at least five to 10 calls a day from glass shops, window manufacturers and glazing contractors wanting glass supply and we tell them no. Everyday. We turn them all down. We could probably do 30-40 percent more if we could get the glass. And the labour. Which is part of the perfect storm. If we had more people and more glass, we would be growing."

"When we were put on allocation, it meant we had to buy less glass than we did in 2020, which was one of our worst years because our local market was shut down for three months. In one of our busiest years, we are forced to buy less than what we bought during one of our slowest years. That's how allocation works. We have been taken care of fairly well compared to others because of our buying power."

"When we realized how bad it was, we had to go in and freeze anyone that bought less than a certain amount from us every year," says Winters. "Our strategy has been to take care of the guys that have taken care of us over the years. It's kind of like musical chairs. Some people aren't going to get a seat which means lots of long, awkward conversations."

"We have a list of customers that don't pay their bills and reject a lot of orders for when allocation changes," says Winters. "I've never had to deal with this in my life. I never expected it and people are not wired for this. Our sales team is trained to sell. You can't even open our credit app because we locked it."

"On the other hand, these are the Good Ol' Days. We are full. There is going to be a day when we wish we had that list when we're calling them up asking these customers for sales."

According to Winters, everyone across the supply chain is in the same boat. "We started seeing orders from new accounts and people who hadn't ordered in ages. They didn't want to buy from us in the past because we were a 'little too expensive;' however, now, they are happy to pay market price because we have glass, and they were cut off by their usual supplier. We're trying not to be arrogant, because the reality is that we're going to need them. Things will cool off. We have to be prepared for when it changes back."

Winters says that glazing contactors have the work and opportunity. "They can't get the product nor do they have the ability to raise their prices. I feel like our industry was way behind price-wise and as a result, it wasn't as healthy as it should be. We've been working on margins that are too thin."

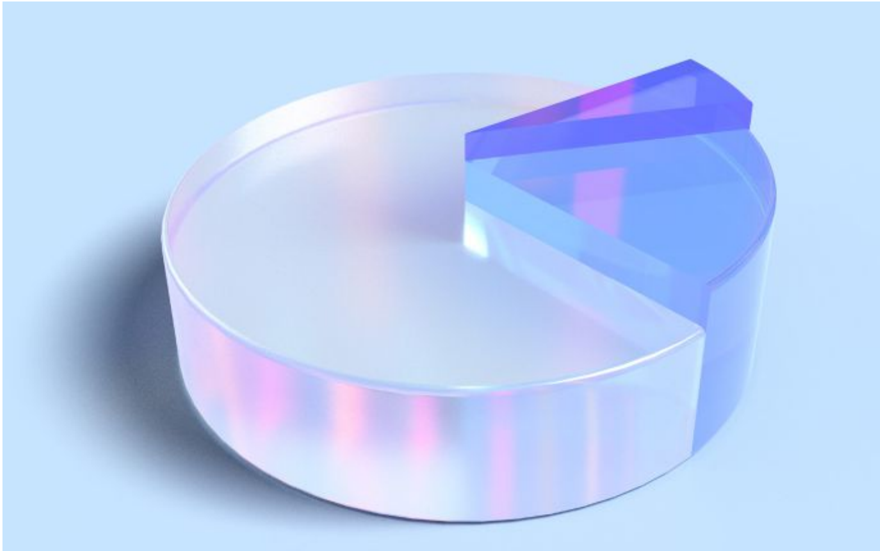
"We've had to raise products multiple times from the supply side," says Winters. "Are the trades able to pass that on? Some have said that they can. Others cannot. I don't know what lurks behind the scenes on how their contracts are written. We've had suppliers evoke force majeure for pricing on us because of COVID and ice storms in Texas, and I've recommended to our customers to do the same to their customers. If everyone can pass the increases along, it will be a good thing for our industry and make it healthier. If subs can't pass the increases on, they aren't going to make it."

"This isn't just about raw material glass costs," says Winters. "Inflation is rising. All of our consumables from cork buttons to our coffee has gone up. We're so reliant on things from overseas so that if you have to put them on a boat, the price has gone up. A few years ago, it was $2,500 to ship a container. Today it is $15,000. It's not only supply and demand. It's the price of getting it here."

Amazon has gone from a starting wage of $16 per hour to up to over $21 an hour in the last year. "We're all competing with Amazon so wages are going up a lot too," says Winters.

"This year has been all about giving what you can give and getting what you can get," says "Kevin Murdock," a senior architectural sales representative for a Canadian glass fabricator.

"I did a quote the other day and I basically took my January 2021 pricing and added 75 percent. We added 35 percent to someone's quote that booked it last



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With shortages impacting nearly every industry, many are left scrambling to secure their piece of the pie.

year. The first time he complained. After a few of these conversations, we never heard anything else. People know there is nowhere else to get it, and if you are going to say no today, you may not have us be able to say yes to you again."

"It's crazy," says Murdock. "We have no choice and neither do they. They have to take it. I've had some people say we're going to do less next year because 'Why did I work my ass off to lose this much money?'"

"There was that six-month period where everything went to shit. Now we are quoting into next year, and those increases are built in. There is some predictability. And if it goes sideways, it's only five or 10 percent."

"Commercial vacancies are low and we are still building, however residential has been gangbusters. It feels like the pie got bigger and the commercial percentage got a lot smaller," says Murdock.

According to Murdock, once the primaries started allocating, they rationed internally as well. "One of our largest domestic window manufacturers was cut off IGUs by their U.S. supplier. Filling the extra demand locally for this one window company has caused a ripple effect that continues to reverberate throughout our region."

There are understandably a lot of unhappy commercial glaziers. Their suppliers won't sell to them anymore or their booking orders are canceled with 60 percent added on if they want to rebook. Another fabricator is accepting orders without pricing. "Thanks for your order. We'll send you an invoice," jokes Murdock. "They are basically saying 'we're not going to do a surcharge, we're not going to do a book price, we're just going to charge you what the market value is today.'"

"You have all of the backlogs at the ports," says Murdock. "And then you have the empty containers back overseas and re-loaded. I've heard of doors being six months out. So how are you going to close-up the building? I saw a multi-unit residential building and the whole strip was plywood."

Murdock says some customers have not caught up to where the glass prices are. "They booked their 2021 projects out far enough that they are just starting to realize what has happened over the last six months."

According to Murdock, many of the subcontractors are in trouble. A few have already gone out of business. "Everyone has their niche, there are only certain things that companies can do. Hopefully they have enough in the bank to weather the storm and get through it."

"They signed contracts and I ask the question now, 'Has your contract changed?'" says Murdoch. "They tell me they sign a contract and that's it. There is no force majeure. And if they did, they would never get that client again."

"If you have a booking order and you

know that it's going to slip, call and tell me," says Murdoch. "I might be able to build shelter ahead of time. But don't wait for the booking order to expire and then try to get yesterday's prices."

"The market has taken a real change," says "Rick Eastwood," co-owner of a Canadian glass fabricator. "Fabricators are picking gravy customers who are good payers and are easy to work with. The price can be almost where you want. If someone needs it, they have to agree right away as the glass is subject to availability."

"This isn't just about raw material glass costs. Inflation is rising."

"With any clear commodity coming from overseas, you are hostage to anything that happens when that product lands on the water," says Eastwood. "If you buy a case today, if the price goes up before it lands, you're going to have to pay for it. We can't keep changing our price sheets every day because that is what the commodity is worth at the time. Your quote is only good for 15 days. Or 48 hours. Because that is how quickly things are changing."

"We're in a unique situation," says Tony Smith, partner at a Canadian window manufacturer. "We have one major supplier of sealed units. We've had a lot of communication with them. They gave us a heads-up before we were put on allocation which wasn't terrible because our capacity to manufacture is lower due to labour shortages. If they had doubled our glass supply, we couldn't have manufactured that much more than what they were supplying us."

"We've been fairly stable with labour, however, if we wanted to run a B-shift, we'd be very challenged," says Smith. "It's not like we're having a lot of resumes flying through the door. You have to be very active and aggressive if you are out there trying to fill a position."

"When allocation hit north America, we had clients coming to us we've never worked with before," says Smith. "We didn't take on any new clients as we only had enough resources for existing clients. The only area it really hurt us was that we were not able to grow our business. We were throttled. We had the opportunity to bring on some new clients but we had to turn them away. We could have done more business over the last few months."

"It has improved," says Smith "We're not on the same level that we were. We're feeling a bit of a calming in the marketplace. Perhaps we have seen our peak."

"I'm hearing that companies who buy their own raw cases of glass to make 40- or 50,000 of their own sealed units a year can't buy glass anywhere because the big players have it all."

Be big or be good at playing the game. That seems to be the key to navigating allocation. •