

UNDERSTANDING AND MANAGING UNPREDICTABLE PRICE CHANGES

Industry distribution companies offer guidance

By Vicki Jones, Editor

Price increases is a growing trend affecting practically every industry — ours is no exception. Due to shipping issues, a global shortage of raw materials, and other ongoing effects of the COVID-19 pandemic, component costs and correlated prices are on the rise.

Door + Access Systems contacted three leading distribution companies that have been supplying wholesale door, gate operator, and/or access control products to dealers for decades. Collectively, these companies offer products from many manufacturers and have a unique and broad perspective on price increases in our industry.

These sources offer insights regarding the underlying causes and strategies on how to continue to stay competitive during these unusual times.

Unprecedented times

2021 has already seen a record number of price increases. Richard Woltjer, marketing executive at distributor Gates and Controls, Inc., said, “In our industry, price increases of this scope and at this rate are unprecedented.”

Director of Marketing at Controlled Products Systems Group, Zach Eichenberger, said, “The frequency and percentage of increases is unprecedented in my 22 years of distribution experience.” He added that price increases are occurring regularly, and in some cases, multiple increases have occurred from a single vendor this year.

President of Encon Electronics, Jeff Harris, echoed a similar sentiment and added, “Materials are skyrocketing, shipping rates continue to go up, and steel prices are extremely volatile.”

Shipping woes

The timing of the price hikes parallels the timeline of the COVID-19 pandemic, which suggests that price increases can be linked, at least in part, to the undeniable spillover effects of the pandemic.

All three of the distributors we spoke to reported that shipping delays and higher shipping rates are two of the most influential variables contributing to increases. “Cost of transportation is a major factor,” noted Eichenberger.

Employees on cargo ships are demanding higher wages due to greater risks associated with the virus. “No one wants to be stuck on a boat right now, so shipping companies are having to pay employees more. Those increases then trickle down to everyone, including us,” said Harris.

To adapt to the constant changes and



increased surcharges from carriers, dealers need to stay on top of current shipping trends and issues.

Developing trends

An email distributed by the shipping company Priority1 outlined some of the key issues affecting carriers right now:

1. Capacity tightness: The average load-to-truck ratio nationwide is about five loads for every one truck. Markets such as Chicago, Ill., Laredo, Texas, and Los Angeles, Calif., are seeing loads higher than average. The end of produce season has also impacted states such as Ariz., Fla., Ga., and Texas, and has led to increased rates.

to enter facilities and deliver goods. If this trend continues, a downtick in available truck drivers and an uptick in rates is expected.

The steel struggle

Significant instability in the steel market continues to affect the costs of all steel garage door and gate components, including sectional steel sections, rolling steel slats, springs, and all steel and gate hardware.

“Every industry is being impacted. Since our industry manufactures products using steel components, we’re getting hit especially hard,” said Harris. “As costs for those raw materials increase, so do the wholesale prices of related products.”

Maintain flexibility

Due to the sheer number of increases, and in some cases, short notice, it can be challenging for distributors to update their websites or ERP Enterprise Resource Planning (ERP) systems to keep up with the changes. Inaccurate information can impact estimates and potential sales for dealers.

“Prices are volatile, so dealers should regularly check in for the latest information before generating end user estimates,” said Woltjer. Dealers should rely on more than one source to gather information for bids and quotes. Visit multiple websites and/or call your supplier and/or manufacturer for the most up-to-date prices.

“Many dealers have a multi-month project backlog, so they need to also make sure to communicate to the end user that costs and associated prices will likely go up before those installs happen,” added Woltjer.

Harris suggested that in addition to regularly monitoring prices, dealers should also consider including expiration dates.

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2. Intermodal struggles: Every ocean and intermodal port is still operating with delays, which has caused a significant amount of truckload spillover to other shipping modes. Carriers across the country are still experiencing transit delays, reduced staff, lack of drivers, and increased capacity. Less than load (LTL) carriers such as FedEx and ODFL have rejected additional freight or spillover.

3. Vaccination mandates: New York City has declared a mandate for all city employees to be vaccinated, and other major cities and markets are expected to follow. Warehouses are requiring drivers to be vaccinated in order

According to Woltjer, “Commodity and component cost increases are the main reasons manufacturers attribute to the price increases.” Eichenberger said that along with transportation costs, raw material and labor costs are contributing to price increases. “Anecdotal reports have come in that product redesigns have been forced due to specific chipsets sunseting,” he added.

Read emails!

With conditions changing daily, it is imperative that dealers have the latest information available. Distribution companies can provide information for a broad range of companies.

“Manufacturers rely on distributors to relay updates to the installers and the end-users,” said Harris. “As a supplier, we recognize that this is part of the gig. We represent a large number of companies, and we can serve as a valuable resource to dealers in the industry during times like this,” he added.

Controlled Products, Encon Electronics, and Gates and Controls all use their websites, social media platforms, emails, in-office announcements, and general word of mouth to communicate information to their dealers. Woltjer and Harris both said that it is critical for dealers to open and read emails from their suppliers and manufacturers to stay on top of changes.

Get the job done

In addition to adapting estimates and contracts, dealers should be transparent about the impact of a customer’s delayed decision — it may save them money in the long run. “We warn our customers if we know of an upcoming price increase and encourage them to buy the product now before the price goes up,” said Harris.

Eichenberger said, “Communicate regularly with your supplier partner to keep up on the latest pricing and availability. Purchase product for sold jobs when possible, and set expectations with end users from a supply chain and material cost perspective.”

While suppliers do their best to notify customers as soon as possible, it’s up to the dealers to pay attention to industry updates. It is critical for dealers to read emails from their suppliers and manufacturers to stay on top of important industry changes.

Manufacturers, suppliers, and their dealers don’t have much choice but to absorb the increases. Builders, architects, and homeowners should be educated to understand the dynamics of the situation, as they will ultimately bear the impact of these cost and related price increases. ■