CRCA
CANADIAN ROOFING CONTRACTORS ASSOCIATION

Annual Conference May 27th, 2023

THE LOCAL AND GLOBAL ROOFING MARKET

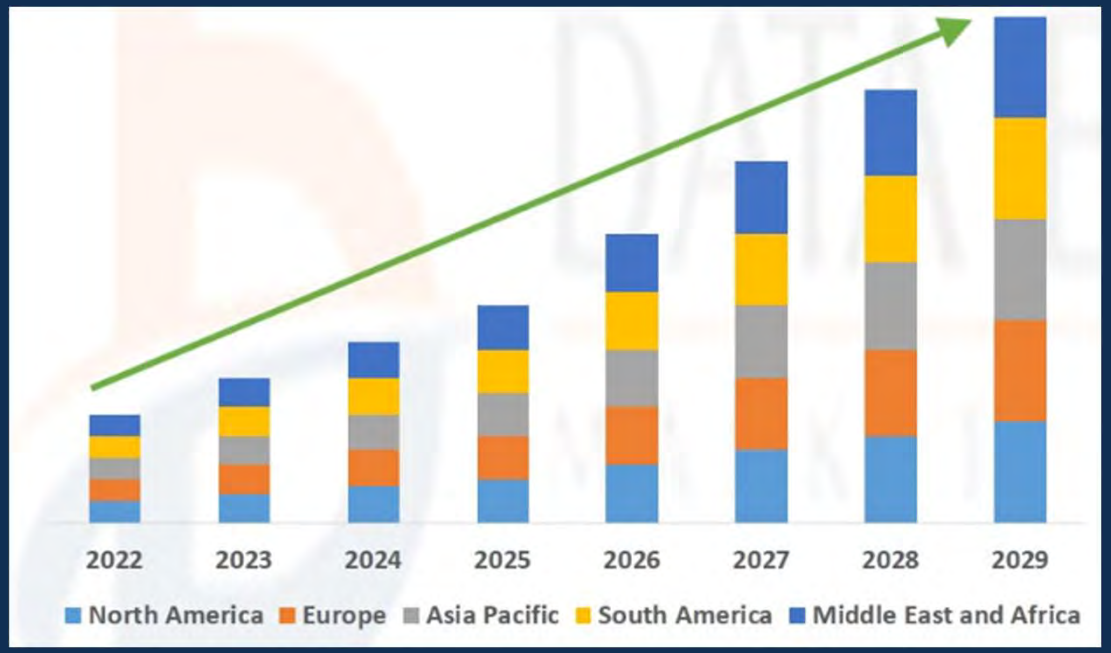
Speaker: John Kenney

COTNEY CONSULTING GROUP

Meet The Speaker

John Kenney is the Chief Executive Officer at Cotney Consulting Group. Prior to cofounding Cotney, John had 45 years of experience in the construction industry. John began his career by working as a roofing apprentice at a family business in the Northeast. Because of his skill and hard work, he progressed from roofing laborer to foreman, estimator, chief estimator, Vice President, and Chief Operating Officer with his various companies. John has worked for multiple Top 100 Roofing Contractors and is intimately familiar with all aspects of roofing production, estimating, and operations. In his last role, John was responsible for the daily operations and performance of a large commercial roofing contractor. During his tenure, John ran business units associated with delivering excellent workmanship and unparalleled customer service while ensuring healthy net profits for his company.

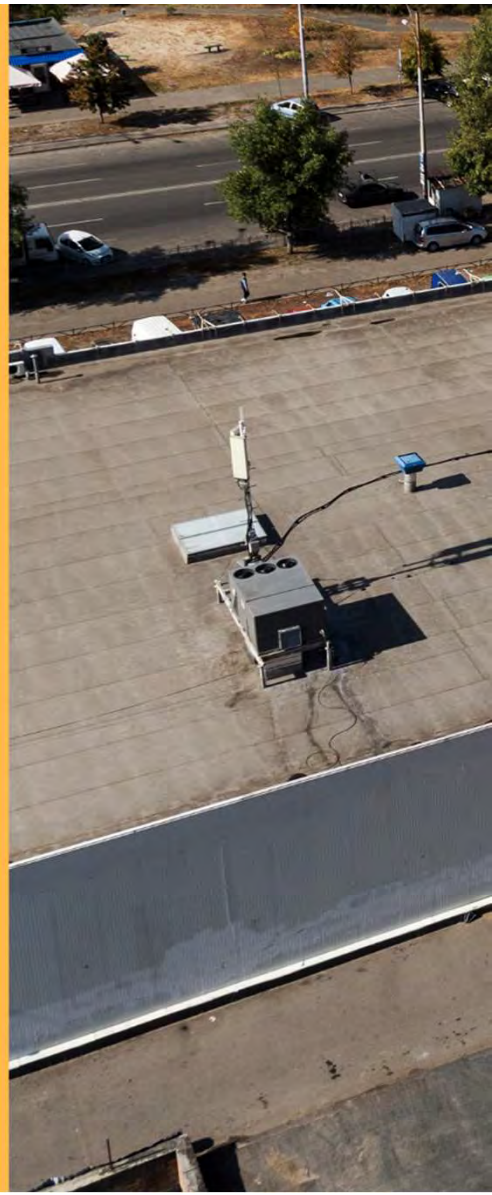
OVERVIEW OF THE GLOBAL ROOFING MARKET



From Data Bridge Research

THE THREATS

- Weather
  - Climate Change
    - Roofing Is Seasonal
- Severe and Catastrophic Storms



THE IMPACT OF EXTREME WEATHER PATTERNS ON CONSTRUCTION

- Over the last 3 decades, severe weather occurrences have increased by 58%
- In A recent survey by Nationwide Insurance showed that over 61% of construction executives predicted that weather would major impact on their operations

HOW NATURAL DISASTERS AFFECT THE INDUSTRY

•**Labour impacts** — Securing skilled labour is a continued challenge for roofing contractors, magnified following weather events. After a significant weather event has impacted multiple businesses in the area, professionals will be in high demand and short supply. Extreme weather can make it difficult for a contractor's workers to get to the job site, leading to recovery delays.

•**Material scarcity** — Following a natural disaster, there is often an increased need for specific materials. That's because natural disasters devastate residential housing and commercial property, and there is an increase in restoration activity in a condensed timeline. Many companies need the same materials, driving up costs in these instances.

HOW NATURAL DISASTERS AFFECT THE INDUSTRY

•**Disruptions and delays** — Weather-related delays cost our industry billions annually. Specifically, inclement weather can create unsafe working conditions, damage equipment, delay material deliveries or block access to a job site, which can extend project timelines and increase construction costs. Unforeseen delays can also create contract issues that may balloon to bigger problems, including litigation. These delays can add up quickly. Even if you have a plan for inclement weather, the sheer volume and unpredictability of these events can overwhelm the most prepared companies.

•**Damage to materials and equipment** — Weather can impact a business's stored materials and equipment. To protect yourself from losses, have plans in place to shelter your equipment and materials from weather damage. However, these plans tend to be location- and climate-specific. As weather patterns change and become increasingly severe, more contractors will find themselves ill-prepared to respond to severe weather and protect their projects. Just one natural disaster can destroy a business's equipment and stored or partially installed materials. In some instances, contractors may not be able to recover from losses of this scale.

ADAPTATION STRATEGIES

- Contractors need to be proactive rather than reactive. Doing so can help mitigate the effects of natural disasters on your operations.

- **IDENTIFY EXPOSURES AND WORST-CASE SCENARIOS** — The earlier a business prepares for extreme weather, the better it will be to respond appropriately should disaster strike.

- **CREATE AN EMERGENCY ACTION PLAN** — Once you have identified their exposures relative to natural disasters, they should take proactive steps to safeguard their employees, tools, equipment, and projects. This can be accomplished by creating an emergency plan. That plan should be in writing and address all of the steps the firm must take in the event of a natural disaster.

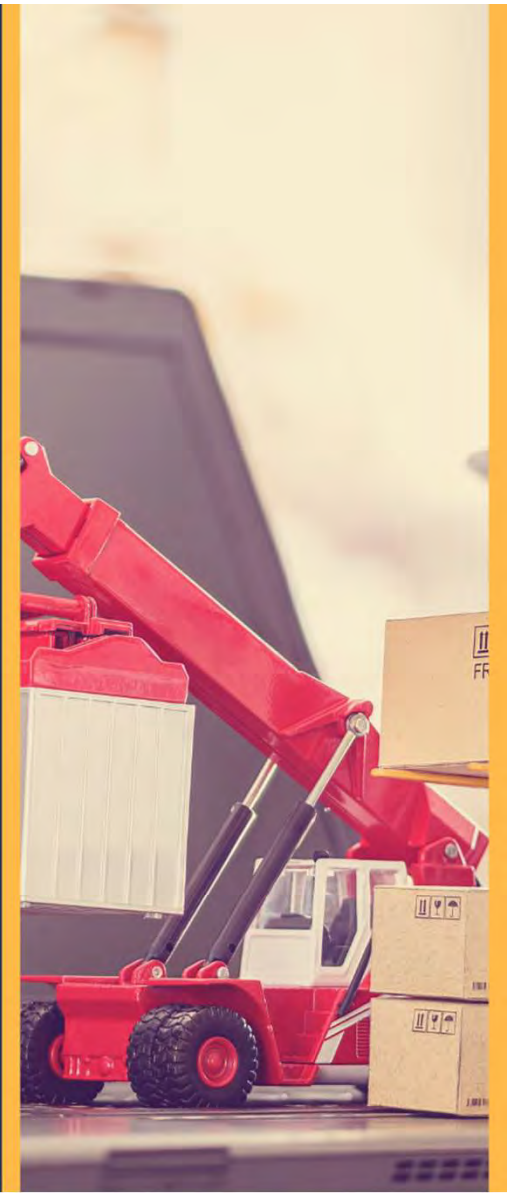
ADAPTATION STRATEGIES

- **TEST THE PLAN** — When creating an effective plan, you should involve employees throughout every process step. Employee participation not only helps identify potential exposures that may be overlooked, but it can also help them gain employee buy-in. Once you create your plan, it's crucial to test it.

- **UPDATE THE PLAN** — No two contractors are the same, and plans should account for the uniqueness of different businesses and the various equipment and technology you employ. Job sites change over a project, and how businesses respond to a disaster may need to change with each job site.

THE CHALLENGES

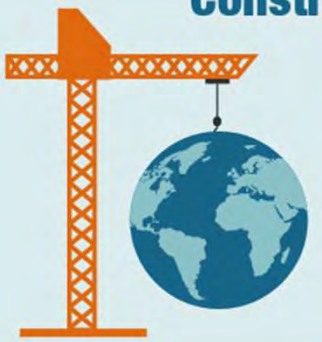
- Skilled labour shortages
- Strain on production output
- Continued supply chain issues
- Economic changes
- Technological advances



LABOUR & PRODUCTION OUTPUT

Construction matters for the world economy

... but has a long record of poor productivity



Construction-related spending accounts for **13%** of the world's GDP

...but the sector's annual productivity growth has only increased **1%** over the past **20 years**

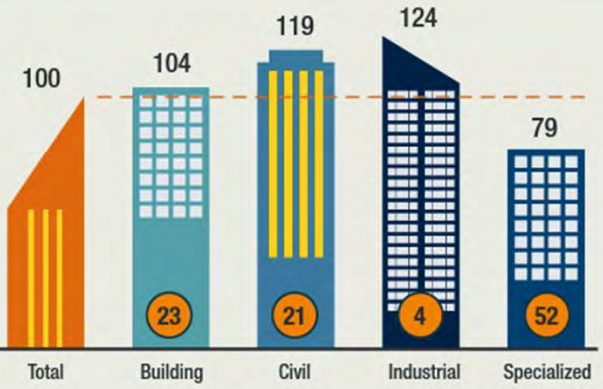
$1.6 trillion of additional value added could be created through higher productivity, meeting **half the world's infrastructure need**

Construction is a sector of two halves

Fragmented specialized trades drag down the productivity of the sector as a whole

Construction productivity by subsector
Value added per employee, indexed total sector=100, 2013

● % of construction value added



McKinsey & Company

CREW EFFICIENCY: A COMPETITIVE ADVANTAGE

- Some Hard Facts to Consider
  - Less than a third of roofing projects stay within their projected budgets, and even fewer get completed on schedule.

  - **Time** — Nearly 40 percent of roofers' onsite time — around 16 hours/week — gets lost on categorically nonproductive tasks.

CREW EFFICIENCY: A COMPETITIVE ADVANTAGE

- **Expenses** — Losses due to site labour inefficiencies will cost contractors nearly 14% of their yearly revenue.
- **Profits** — Reworking of improperly installed roofing systems costs contractors up to 5% of their yearly revenue.

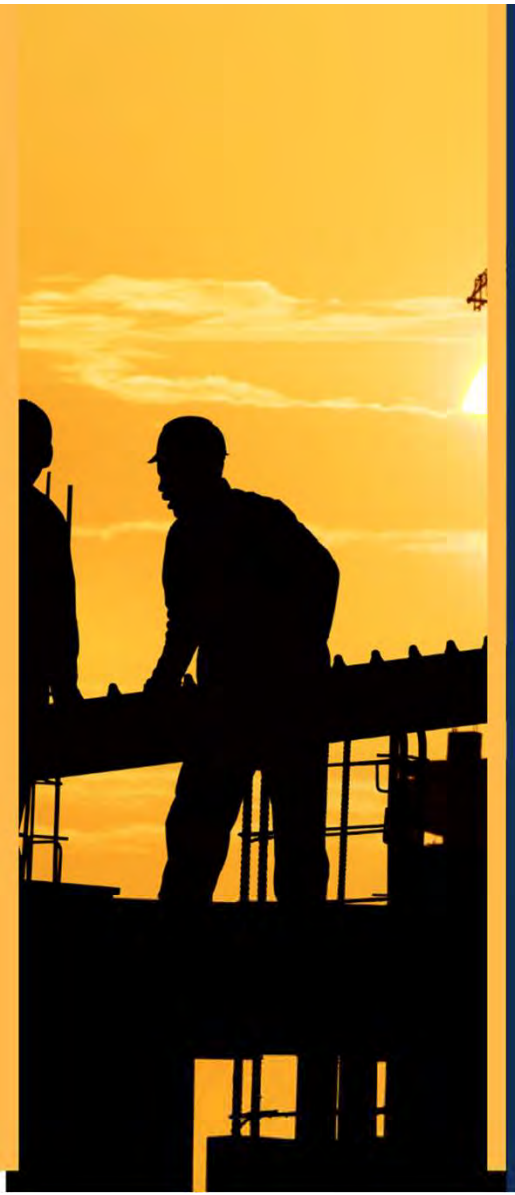
CREW EFFICIENCY: A COMPETITIVE ADVANTAGE

- What does it mean in Dollars?
- Example:
  - 10 million Dollar Roofing Company
    - Onsite Labour Inefficiencies = $ 1,400,000. Lost Revenue
    - Rework = $ 500,000. Lost Revenue

IMPROVE WORKFLOWS TO REDUCE DOWNTIME

- Your processes that affect daily, onsite roofing activities and operations and those involved in your organizational and administrative decision-making are the first places to adopt efficiency improvements.

- In other words, reviewing and realigning daily workflows is a way to see fundamental productivity changes across your roofing projects.



IMPROVE WORKFLOWS TO REDUCE DOWNTIME

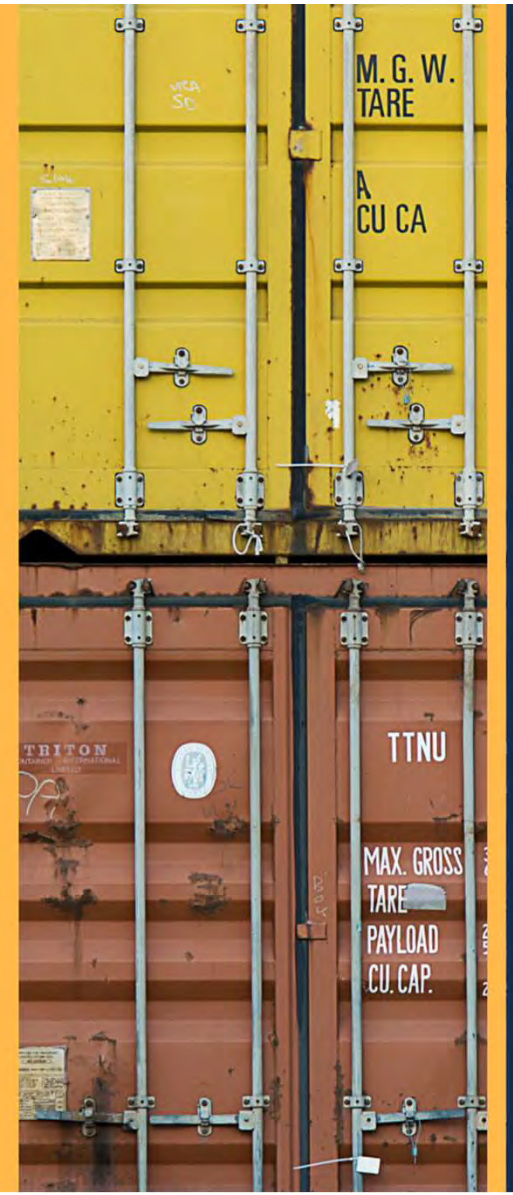
- Improve Crew Communication
  - Coordinated teams optimally install your roof systems
- Specialize Crew Tasks
  - Spread the daily work tasks among the team
- Stage Materials and Equipment With Foresight
  - Material and equipment movement and staging are critical components in speed at application.
- Employ Strong Rooftop Supervision
  - Effective management of roof loading, managing break times, and staging materials for easy access are essential
- Implement Quality Control
  - Lack of quality control will lead to increased punch list and reworks

SUPPLY CHAIN MANAGEMENT

- Unfortunately, most of it is out of your control
- What can you do?

TIPS FOR IMPROVING YOUR SUPPLY CHAIN

- Start the planning process as soon as possible. This is crucial for the success of a construction project.
- Identify the suppliers that are critical to the success of your project. Building solid relationships with them can help ensure that they can meet your needs.
- Have a contingency plan in place. This is an important part of managing the roofing construction supply chain. These plans can help mitigate the impact of delays or material shortages. It helps ensure that the project stays on track.



TIPS FOR IMPROVING YOUR SUPPLY CHAIN

- Technology can streamline and optimize your supply chain process. It will help you improve efficiency and effectiveness. This can:

- Collaboration is crucial for improving your supply chain. Be sure to involve all relevant team members in the supply chain planning process. This ensures that everyone is working towards the same goals.

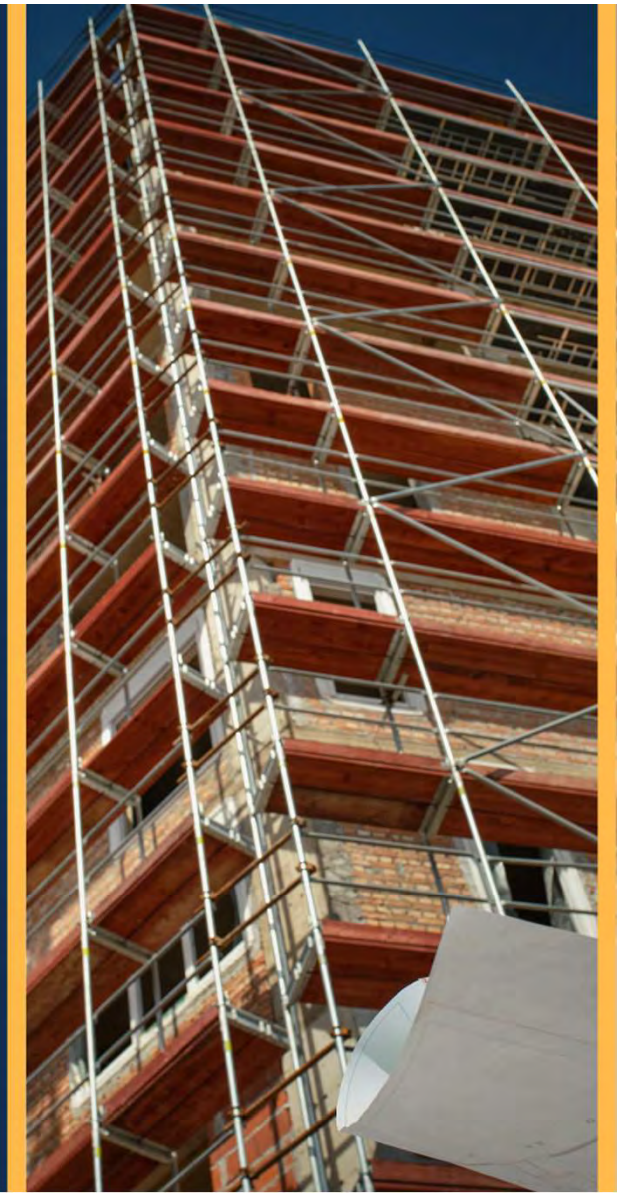
- Quality control is an essential aspect of managing your supply chain. This can help reduce the risk of expensive rework and delays.

DETERMINING ECONOMIC CONDITIONS

In business, what is an economic environment?

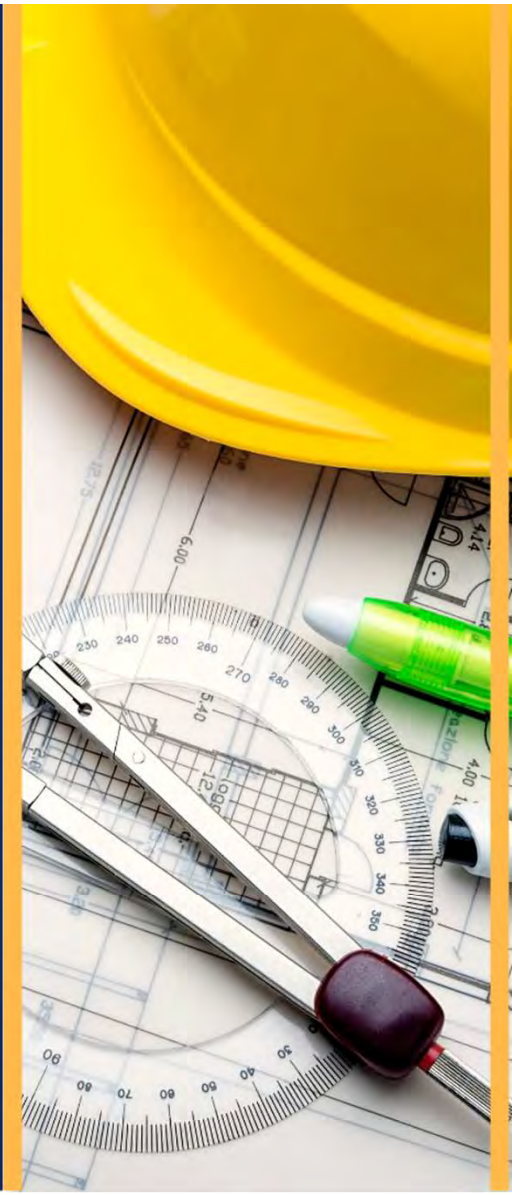
You can break it down into macroeconomic and microeconomic environments

- Macroeconomics
  - The overall economy as a whole
    - As a business owner, you do not control whether an economy is booming or in recession.
- Microeconomic
  - The economic results based on businesses and workers
    - As a business owner, this is where you do have control.
- How do you control your microeconomic world?
  - Leadership
  - Processes
  - Budgets ad spending
  - Efficiency
  - Growth
  - Technology



BUSINESS PROCESSES AND TECHNOLOGY

- Tech stack
  - It can be challenging to near impossible to find a single technology solution that can adequately address the needs of all your business functions of a roofing company.
  - The lack of integration between software systems, tools, and apps decreases operational efficiency and creates information silos and communication barriers between departments and employees.
- Critical elements you need to understand before you buy
  - Vision planning
  - Integrations
  - Cost
  - ROI



BUSINESS PROCESSES AND TECHNOLOGY

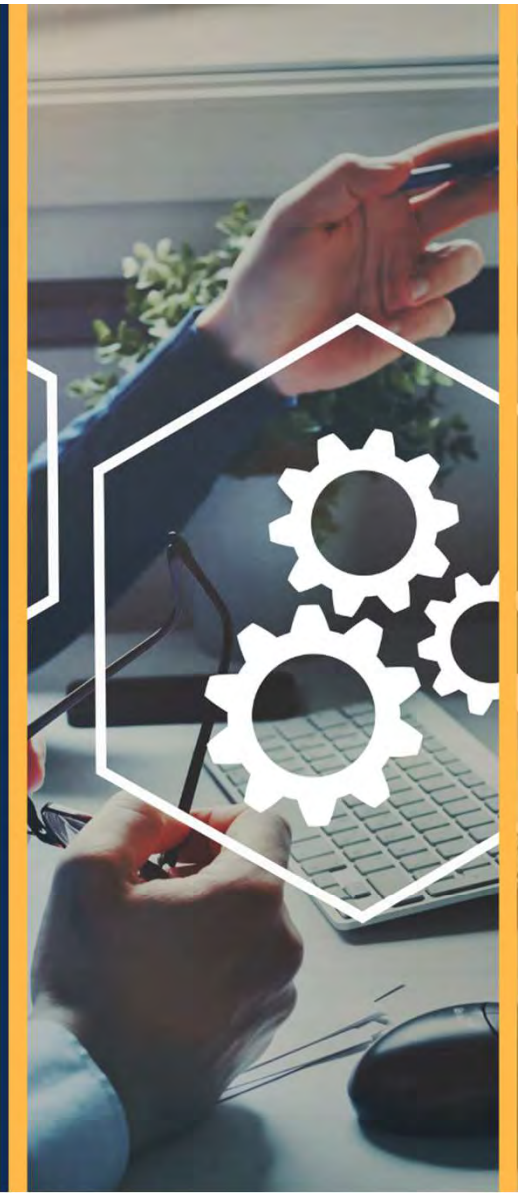
- What systems should you consider depending on your business maturity level?
  - CRM
  - Accounting
  - Project and Contract Management
  - Human Resource Management
  - Estimating
  - Specialty Operations Software
  - Others
    - Fleet Management
    - Safety
  - Enterprise Resource Planning (ERP)

OTHER TECHNOLOGY TRENDS

- Drones
  - Estimating, Safety, Production
- Virtual and Augmented Reality
  - Training and service and problem resolution
- Wearables
  - Improving the way workers interact on the job
- 3D Printing
- Prefabrication
- Robotics
- Artificial Intelligence (AI)

NAVIGATING THE NEW NORMAL

- Implementation & Optimization
  - Review and Assess
  - Plan and Whiteboard
  - Track
  - Evaluate your results
  - Processes are not permanent; they are living documents



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