

GAF Materials Corporation

MarketBuster

Summary

Founded in 1886, GAF Materials Corporation has grown to be North America's largest commercial and residential roofing manufacturer. GAF, based in New Jersey, is focused on manufacturing and selling high quality asphalt roofing products and systems for the commercial and residential markets. Building Materials Corporation of America does business as GAF Materials Corporation and is a subsidiary of G-I Holdings, which is controlled by Chairman Samuel Heyman and has had sales of \$1.6billion in 2003.¹ Growing demand for its products has led to its expansion by acquiring or starting new production facilities in Pennsylvania, Indiana, Texas and other domestic locations. The company has received several awards for innovation, quality and customer satisfaction for its shingles, ventilation systems and services. Their use of the internet to educate their customers about safety and installation techniques have helped capture the interest of their segments. GAF is trying to expand into providing more goods leading to an integrated and entire solution including shingles, ventilation systems, sidings, exterior textures and many more products.

The Story

GAF Materials Corporation is the single source for all commercial and residential roofing product requirements. The company now employs approximately 2,500 people in 15 plants and in warehouse facilities throughout the U.S. Its TIMBERLINE(R) Series of shingles, RUBEROID(R) modified bitumen membranes, and GAFGLAS(R) built-up roofing have set new standards for quality in asphalt roofing. The Company conducts regular Roofing Training Schools for distributors, contractors, and related industry personnel. The Company's Regional Tapered Design Centers provide detailed estimates to ensure accurate bids, a 24-hour Dodge Scan turnaround service, and free color coded shop drawings specifying PERMALITE(R) insulation panels for trouble-free installation. The Company's GAFWARE(R) software program for commercial and residential roofing is the most complete, user friendly and flexible roofing software in the industry. It puts all the roofing information needed on the customer's computer. In a matter of minutes, they can select roofing systems, incorporate drawings and CSI formatted specifications into contract documents, and merge data into word processing applications.²

Since 1989, the company has grown its market share in the major markets in which it competes and the company has delivered an impressive track record of six years of consecutive increases in sales, earnings, and return on assets. GAF attributes its success to its investment in people, technology and state-of-the-art manufacturing along with rigorous operational cost controls. They also have a strong national distribution network established and have made some strategic acquisitions and started new facilities to meet growing demands from the market. Unlike some roofing manufacturers who seem to have a one-technology-fits-all approach, GAF helps match the right roofing technology to a specific situation. This may mean simple repair when warranted, a roof restoration system (often at up to half the cost of a new roof) if the existing roof is salvageable, or a new roof (asphaltic, single ply, or shingle) as a last resort.³

¹ 'Building Materials Corporation of America'

² 'GAF Materials Corporation'

³ ARCAT Company Profile

GAF is the only subsidiary of G-I Holdings that has not filed for bankruptcy due to the asbestos litigations and continues to perform strong in the market with an impressive record. The effect of the claims on G-I Holdings has had no effect on GAF according to CEO Collins, who said, "GAF is healthy with excellent liquidity and a strong foundation. GAF is committed to growth and further industry leadership. GAF's sales have increased at a 12% annual growth rate; compound operating income has risen about 11%; and total cash flow has increased about 16%."⁴ Their diverse products, proven durability and customer satisfaction have led to GAF's success in the market.

MarketBusting Moves

As North America's largest commercial and residential roofing manufacturer, GAF entered the market and maintains its position by following the following MarketBusting Moves:

- #2: Digitize to combine or replace links in an existing chain
- #10: Add compelling parallel offerings
- #14: Radically improve your productivity
- #18: Improve your customers' personal productivity
- #20: Help improve your customers' quality

#2: Digitize to combine or replace links in an existing chain

As a manufacturer of roofing materials, GAF efficiently deploys the use of internet and information technology to reach its customers. Their website offers residential homeowners the tool to design their own house choosing location, type, colors for shingles, siding and exterior textures. This interactive system adds value to the customers experience making it interesting, convenient and giving them the option to design based on their preferences. It can also be used by commercial builders or architects for designing their layouts. In addition designing your house, allows GAF to provide its customers a complete solution that offers more than shingles.⁵ Users tend to buy a package including the exterior textures, colors, shingles and sidings on seeing the preview of the layout that they have designed. The selections can be saved into your profile making it personal and also be enlarged and printed for other purposes. Creating profiles and ordering materials online also enables distributors to check the status of their orders and estimate delivery times. Providing a comprehensive website with installation instructions, safety videos, materials, self-designing and training programs specific to residential owners, contractors, distributors have been helped GAF capture a large market segment with informed consumers.

#10: Add compelling parallel offerings

GAF tackles a new roofing situation with advanced material technology and an integrated system approach rather than just stacking new shingles. This system offers customers an entire solution consisting of leak barriers, premium skylights, attic ventilation, fiber-cement siding, quality shingles and roof deck protection. In addition, it also offers roofing nails, felts, sheets, tiles, sealants as well as roofing services. Customers could be residential homeowners, architects, distributors or professional installers. GAF understands its customers to provide a range of products with different prices, properties, steep or low slope, different lifetimes and warranties to provide the best solution catered to their specific needs. The company provides quality components, proven performance, system compatibility and peace of mind in all its roofing system products.⁶

⁴ 'GAF shareholder files Chapter 11'

⁵ 'GAF Corporation'. 2005

⁶ 'GAF Corporation'. 2005.

#14: Radically improve your productivity

GAF's success in the market and growing demands for its products has made it extend its operations by acquiring new plants in Pennsylvania. President and CEO, William Collins said, "This acquisition will enable us to keep pace with the growing demand for our products in North American markets, which has increased at double-digit annual rates during the past three years. The Quakertown facility provides GAF Materials with immediate capacity of roughly two million squares of shingles per year, plus the potential for additional capacity expansion, as well as saturate felt products to help contractors and distributors build their businesses in the United States and Canada."⁷ In addition, GAF plans to expand to its laminate plants in Massachusetts, Dallas, and Indiana. The expansions are expected to increase its laminate manufacturing capacity by more than 30 percent. GAF recognizes the need for additional shingle capacity to service Northeast and Canadian markets. Collins added, "During the past several years, residential market growth has been good; laminate shingle demand has been particularly strong; and these trends are expected to continue. Although this shift to laminates has been good for the industry, it has strained industry capacity and resulted in service shortfalls. These capacity additions will allow GAF to continue to grow its roofing business and be a reliable supplier for years to come."⁸

#18: Improve your customers' personal productivity

GAF delivers on two simple promises. For property owners & architects, they help to assure the best and safest choice in roofing. For distributors & contractor partners, they help build their business and avoid hassles.⁹ GAF's commitment to the contractor community and industry is reflected through its problem-resolution program with the National Roofing Contractors Association (NRCA). The program will enable NRCA member contractors who report problems with GAF Materials' asphalt shingles and other residential roofing products to receive quick resolution. If NRCA receives a call from a member contractor reporting a problem with any GAF Materials' residential product, NRCA will notify GAF Materials, and GAF Materials will respond to the contractor within two business days. NRCA will monitor the process to ensure the contractor is satisfied.¹⁰ GAF strictly follows its company policy of serving its customer needs and manufacturing products that are contractor-friendly. They discontinued the production of their new EverGuard® TPO² Plus product even though it proved to be more sensitive to temperatures, weld speeds and cleaning procedures, because it required greater care during installation, which meant it did not meet the company's requirement for being contractor-friendly. The company instead resumed their manufacturing and sale of the original EverGuard® TPO membrane product.¹¹ GAF designs its business around making a customer's experience easy, convenient and hassle-free while providing the most proven, efficient and technologically advanced solution for their roofing needs.

#20: Help improve you customers' quality

GAF believes in the safety of its customers and provides advice, consulting and high quality products. They offer a wide array of products with different warranties, costs, properties to best cater to their customer's situation and demand. GAF Materials Corp.'s safety DVD, "Race to Be Safe," was named the gold award winner of the safety/first aid category of film, DVD, television and cable production at WorldFest International Film Festival's 2004 awards. GAF Materials produced the DVD, which promotes the importance of safety training, with the help of

⁷ 'GAF Materials acquires manufacturing facility'

⁸ 'GAF announces plans for a new facility and plant expansions'

⁹ 'GAF Corporation'. 2005

¹⁰ 'NRCA and GAF Materials announce Program'

¹¹ 'GAF discontinues new TPO² product and returns to original EverGuard® formulation'

NRCA and the Indy Racing League. The DVD combines the excitement of Indy car racing with the serious aspects of safety. "Race to Be Safe" compares car racing with roofing and shows the seriousness with which racing professionals regard safety.¹² The company's website also contains a 'Do-it-yourself' video library which has videos and pictorial instructions for residential, commercial customers on the best practices, installation and safety for skylights, ventilation, and shingles.

Key Lessons

GAF Materials Corporation is one of the oldest manufacturers of commercial and residential roofing materials in the United States. The company offers the most comprehensive line of quality roofing systems in the industry and has differentiated itself from its competitors based on its track record of innovation and excellence. Their customer focus has helped them capture market segments owing to their quality proven products as well as service. GAF believes in educating its customers about its products and stresses on safety. Their interactive website caters specifically to different segments of residential, commercial, architects etc and includes safety and installation videos with step-by-step instructions. They have effectively improved attributes related to their customers including productivity, offering complementary products that are easy to use and obtain. Initially a shingle manufacturer, the company has grown rapidly over the years into the most fully-integrated roofing manufacturer in the U.S., with over 3,300 employees in 26 plants across the country.

¹² 'GAF wins award for safety DVD'

DRAT Table, GAF Materials Corporation**SOURCE**

External

Powerful Incumbents	Stiff competition from domestic and international companies and adapting to changing needs of different market segments.
Opposition from advocacy groups	Litigations against materials such as asbestos
Risk to key external stakeholders	N/A
Inertia	Continuing to find ways to innovate its product offering and differentiate itself from its large competitors. Add value to its products to serve niche markets better than the competition.
Disruption of customer's and system or process	Maintain current customers and attract new segments through their superior technologically advanced products and quality service.
Changes in standards or regulations required	N/A

Internal

Internal political maneuvering	Most of the company is owned by a single individual, management may feel threatened.
Reluctance or resistance by those needed for active implementation	People comfortable with current products and service
Resource Constraints	N/A

Platform changes required

Human resource and skills platforms	N/A
Logistics platforms	Keep looking for cheaper and faster ways to deliver products to the consumer; increase the speed of the supply chain.
Distributor platforms	Balance between distributors and direct ordering by customers online.
IT and database platforms	Increased use of website for direct sales. Customer profile management to provide relevant information and products to their customers based on their preferences and location.
Technology platforms	Use technology to improve the features of its products
Assets, operations, and systems platforms	Increased interaction between the supply chain links to eliminate bottlenecks and deliver products faster to the consumer.

Marketbusting Kite

Element	Needed to Support the Marketbusting System
Agenda The key things that the critical people spend time on	<ol style="list-style-type: none"> 1. Commitment to quality manufacturing standards 2. Developing new products 3. Strategic product distribution 4. Building their business through new customers, products and services.
Norms What principles and behaviors are valued?	<ol style="list-style-type: none"> 1. High quality manufacturing 2. Unparalleled customer satisfaction and service 3. Technological innovation and proven quality 4. Product Safety and brand image
News What information and measures are paramount?	<ol style="list-style-type: none"> 1. Customer profiles and portfolios 2. Market share in the US, segments 3. Lead the industry and introduce products superior to competitors in a timely manner.
Allocations What gets resourced and how are people rewarded?	<p>Resources go to</p> <ol style="list-style-type: none"> 1. Research of products, customers 2. Expansion into complementary products 3. Strategic acquisitions and manufacturing facilities <p>Rewards and recognition for successes go to</p> <ol style="list-style-type: none"> 1. Innovative ideas for new products 2. Efficient manufacturing toward lower operating costs
Structure Power, authority, responsibility structure	<ol style="list-style-type: none"> 1. Coordination among different product groups 2. Power concentrated in few hands, not broken up into many divisions, has several manufacturing plants and offices
History Key routines that have developed and drive activities	<ol style="list-style-type: none"> 1. Focusing on customer feedback, preferences and needs 2. Innovation, excellence and technologically proven products 3. Relations with distributors, builders, homeowners

Sources

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