

# STATE OF THE MARKET REPORT FOR THE BUILDING AND CONSTRUCTION SECTOR

VERSION 2 - OCT 2016



Brought to you by:



Insights on businesses serving the Australian  
Building and Construction Sector

# INTRODUCTION

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With our **Steel Efficiency Review®** we work with our customers to develop real solutions. We look closely at your production and processing lines, identify cost and time savings and recommend incremental changes which can translate into business improvements.

**THE STEEL EFFICIENCY REVIEW® PROVIDES KEY RECOMMENDATIONS BASED ON THOSE WELL-KNOWN 7 AREAS OF WASTE:**

➤ **OVER PRODUCTION**

➤ **TIME IN WAITING**

➤ **TRANSPORTATION**

➤ **PROCESSING**

➤ **INVENTORY**

➤ **MOTION**

➤ **REWORK**

**IT'S FREE, AND WE DELIVER OUR REPORT IN 2 WEEKS.**

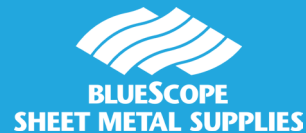
There is no cost and no risk in undertaking a **Steel Efficiency Review®**. Our SER® Consultants simply offer you recommendations on how to improve your operation's efficiency and productivity.

We come back to you within two weeks with a short report, detailing our findings, recommendations and cost-saving solutions.

## WHO ARE WE?

We're owned and supported by the manufacturing and processing arms of **BlueScope**. Our network comprising BlueScope Sheet Metal Supplies, BlueScope Plate Supplies and BlueScope Distribution provides a full range of material supply, logistics and management options to meet your individual needs.

We offer a comprehensive suite of steel and aluminium products and processing services, and our expertise covers every major industry sector: Building & Construction, Transport & Automotive, General Manufacturing, Mining, Oil & Gas.



# STATE OF THE MARKET - BUILDING & CONSTRUCTION SECTOR IN AUSTRALIA

Welcome to the Steel Efficiency Review® State of the Market report for businesses serving the Building and Construction Sector in Australia. This report has been compiled from our unique and proprietary industry insight resource – The Steel Efficiency Review®.

# 1011 >>> REVIEWS



To date we've completed 1011 Steel Efficiency Review® visits nationally, with steel businesses both large and small. This has amounted to over 2526 hours developing real solutions to save them time, money and reduce risks.

From these SER® appointments we have isolated findings relevant to specific industry sectors and niche businesses within that sector to identify business improvement insights – those that can help you run your business more profitably.

We've also reviewed and summarised relevant industry research from IBISWorld Industry Reports to provide you with a more macro view on where the industry is heading and the Key Success Factors (KSFs) relevant to your business.

## **IN THIS STATE OF THE MARKET REPORT, WE FOCUS ON BUSINESSES SERVING THE BUILDING AND CONSTRUCTION SECTOR IN AUSTRALIA.**

This report provides you with a summary of the common challenges faced by businesses serving the Building and Construction Sector. We also offer solutions to help you to build a more efficient and profitable business.

We hope this State of the Market report provides an opportunity for you to look closer at your business and review your operation.

You're also welcome to participate in our complimentary Steel Efficiency Review® as a 'fresh set of eyes' helping you to identify ways to turn steel into gold. If you have just participated we look forward to working with you to uncover the 'gold' in your business.

Regards

**Gerald Cornelius**  
National Manager  
BlueScope Flat Steel Products Division

**For more information, visit:**  
[steefficiencyreview.com.au](http://steefficiencyreview.com.au)



# KEY FINDINGS FROM CONDUCTING OUR STEEL EFFICIENCY REVIEW® ON 313 BUSINESSES SERVING THE BUILDING AND CONSTRUCTION SECTOR

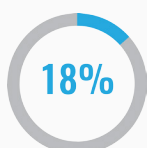
Based on the results of 313 Steel Efficiency Review® visits completed on steel businesses serving the Building and Construction Sector in Australia, we have identified areas for improvement and waste reduction.

## OVER PRODUCTION



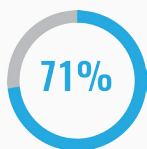
of clients have opportunities to make savings in waste.

## TIME IN WAITING



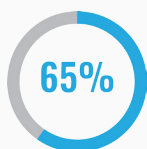
of clients have opportunities to reduce the time in waiting in their operations resulting in significant work in progress and time savings.

## TRANSPORTATION



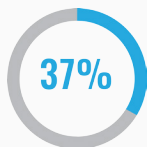
of clients have opportunities to improve productivity and reduce freight costs.

## PROCESSING



of clients have opportunities to reduce excess waste amounting to greater production runs and savings in material cost.

## INVENTORY



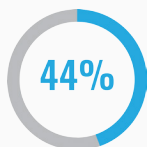
of clients have opportunities to reduce delays and excess stock stored to remove the time wasted managing inventory.

## MOTION



of clients have opportunities to reduce motion problems and safety risk.

## REWORK



of clients have opportunities to reduce the amount of rework resulting in significant savings in material cost.

## 3 KEY SUCCESS FACTORS

The 3 key success factors for these 313 steel businesses operating in the Building and Construction sector nationwide are:



**RAW MATERIAL SUPPLY OPTIMISATION TO MINIMISE REWORK**



**ACCESS TO HIGH QUALITY BRANDED STEEL PRODUCTS & ABILITY TO LEVERAGE AWARENESS FOR PROMOTION OF END PRODUCT**



**TIME IN WAITING IMPROVEMENTS TO REDUCE BOTTLENECKS**

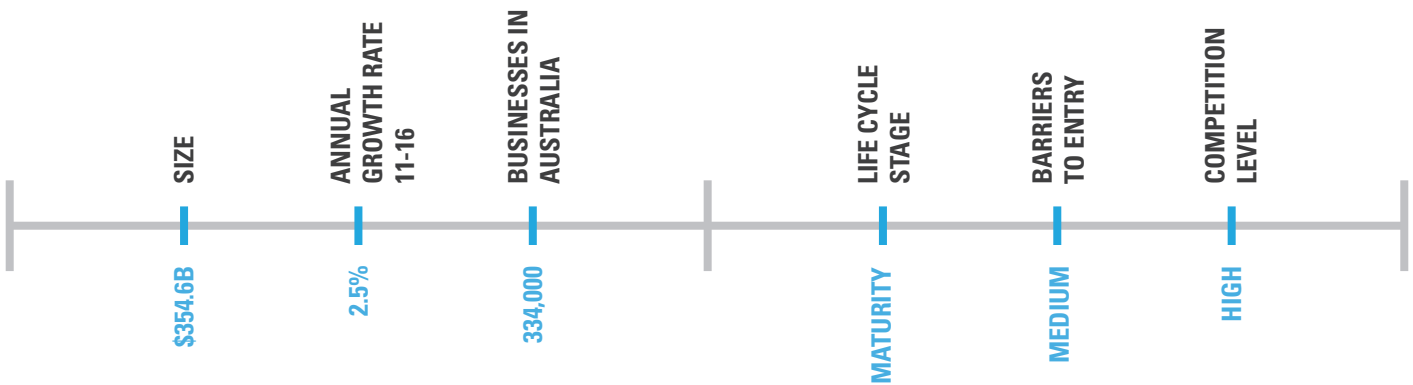


# CONSTRUCTION IN AUSTRALIA

## IBISWORLD DEEP DIVE

All industry information provided in this State of the Market Report has been referenced from IBISWorld Industry Report - Construction in Australia - May 2016.

### KEY STATISTICS & CHARACTERISTICS



### INDUSTRY PERFORMANCE

The performance of the Construction industry reflects trends prevalent in the housing and non-housing construction markets.

**The industry's fortunes are inextricably tied to the level of activity in the Australian Building and Construction division.**

This relationship has historically provided the industry with strong opportunities to grow, until the onset of the global financial crisis in late 2008. The overall situation for the industry has not been ideal since the crisis, which crippled the Construction division.

The industry has also contended with rising import competition from low-cost producers in countries such as China and Indonesia.

Revenue has recovered slightly mainly due to reconstruction activities in Queensland and New South Wales. Industry revenue is expected to grow by 2.5% year on year.



## INDUSTRY PRIMARY ACTIVITIES

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- » General construction
- » Construction trade services
- » Installation trade services
- » Residential construction
- » Non-residential construction
- » Site preparation and other construction
- » Building completion services
- » Building structure services
- » Heavy industry and non-building construction

## SOME POSITIVE TRENDS

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Domestic demand is expected to be erratic over the period, but is expected to continue its long-term upward trend. The industry is expected to make a steady recovery, underpinned by improved economic conditions buoying construction activity.

**Non-residential construction will lead the charge, followed by heavy industry and non-building construction.**

Overall production costs are expected to increase in the next five years with steel prices returning to an upward trend after plunging between 2012 and 2014.

## IMPORTS LIKELY TO CONTINUE THEIR RISE

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Despite this, imports are expected to become the greater threat, accounting for a forecast 11.3% of domestic demand.

Little help will be found in exporting industry goods, as the export market will hover at about 1.0% of industry revenue over the next five years. The industry is expected to grow 2.5% annually to reach \$354.6B.

## INDUSTRY PRODUCTS & SERVICES

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- » Building completion services
- » Building structure services
- » Heavy industry and civil engineering construction
- » Installation trade services
- » Non-residential building construction
- » Residential building construction
- » Site preparation and other construction services

## OVERALL RISK RATING

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Overall risk in the Construction industry is forecast to be at a HIGH level over the outlook period.

**The main risk factors are:**

- » medium level of competition
- » the fact that the industry is in a decline stage of its life cycle; and
- » a high level of revenue volatility

## SIX MAJOR PLAYERS IN CONSTRUCTION

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**The six major players that account for the majority of industry revenue:**

- » CIMIC Group
- » Brookfield Multiplex
- » Lendlease
- » Downer EDI
- » Metricon
- » Australand



## WHAT ABOUT COMPETITIVE ACTIVITY?



There is a medium level of barriers to entry and medium industry assistance. The cost of entry into the industry can be high when specialised products are being produced, but it is relatively easy to enter the lower end of the industry.

There is a low, but increasing level of exports and a medium and increasing level of imports. The market for generic products is being increasingly penetrated by imports from countries with low labour costs.

The average risk score for all Australian industries is expected to be in the MEDIUM band.

The level of risk in the Construction industry will be higher than that of the Australian economy and the General Manufacturing sector.



## CONCLUSION

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The key findings from conducting our Steel Efficiency Review® on steel businesses serving the Building and Construction Sector, show the need for:

**HIGH QUALITY, BRANDED STEEL PRODUCTS TO REACH A HIGHER LEVEL OF AWARENESS AND IMPROVE EFFICIENCIES IN THEIR OPERATIONS.**

When speaking to 313 steel businesses involved in Building and Construction nationwide, we concluded that it comes down to 3 key success factors:

- **RAW MATERIAL SUPPLY OPTIMISATION TO MINIMISE REWORK**
- **ACCESS TO HIGH QUALITY BRANDED STEEL PRODUCTS & ABILITY TO LEVERAGE AWARENESS FOR PROMOTION OF END PRODUCT**
- **TIME IN WAITING IMPROVEMENTS TO REDUCE BOTTLENECKS**

The Steel Efficiency Review® has identified savings for these customers in Processing (65%) with key findings ranging from additional processing work involving third parties to additional processing work conducted by our operations, transportation (71%) with key findings ranging from freight support to improvements in scheduled freight; and inventory from freeing up warehouse space to labelling and packaging product with quality checking processes (37%).

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**STEEL EFFICIENCY**  
**REVIEW®**





## APPENDIX 1: KEY INTERNAL ISSUES

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### ISSUE

Major players in Building and Construction are focusing increasingly on leveraging branded products to differentiate their services from those of competitors. Use of a range of branded products provides a buffer against product specific downturns in demand.

### QUESTIONS

How do you differentiate your products and services from competitors? What steps do you take to maintain or improve your competitive edge in the market? What potential markets can benefit from you developing a new product niche?

### ISSUE

The ability to achieve a low-cost build through economies of scale is a distinct advantage within this industry as it has many standardised products that are produced for a mass market.

## APPENDIX 2: KEY EXTERNAL IMPACTS

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### ISSUE

Changes in the technology of building construction, which favour substitute materials, have an effect on demand for the industry's products.

### QUESTIONS

How has competition affected your product and services portfolio? What strategies do you use to minimise competition?

### ISSUE

An increase in the price of raw materials pushes up the cost of production for builders and fabricators, and these increases tend to be passed on to consumers in the form of higher prices, which pushes industry revenue up. Rising input prices can erode profitability if price rises can't be passed on in full.

### QUESTIONS

Do your operations benefit from economies of scale? What opportunities are available to increase the scale of your business? What are the costs associated with growing the scale of your operations?

### ISSUE

The ability to source reliable and cost-effective inputs provides reliability and cost-effectiveness in the wider market. Major players in your industry achieve this through acquisition and footprint.

### QUESTIONS

How has the availability of raw materials and skilled labour affected your cost structure? How vulnerable are you to shortages in your main input materials? What steps can you take to secure large amounts of high-grade input resources? What can be done about skilled labour shortages?

### QUESTIONS

How have raw material prices affected your revenue and profit margins? How did price fluctuations affect demand from your customers?

### ISSUE

Trends in building and construction approvals have a direct effect on the demand for materials of various types.

### QUESTIONS

How did these fluctuations affect your profit margins? How will the forecast fluctuations in approvals over the next five years affect your business?



# THE STEEL EFFICIENCY REVIEW® - TURNING STEEL INTO GOLD

## CASE STUDY 01 > STEEL-LINE GARAGE DOORS

“The two-way relationship that has been formed between Steel-Line Garage Doors and BlueScope Sheet Metal Supplies cements a future for both parties.”

Steel Line Garage Doors Purchasing Manager Brenda Grundy.

**As one of Australia’s largest garage door manufacturers servicing both residential and non-residential markets, Queensland-based Steel-Line Garage Doors produces a range of garage doors, shed roller doors, industrial shutters, along with garage door operators for industrial applications.**

With its Australia-wide network of manufacturing and retail assets, the company relies on the quality and consistency of the GALVABOND® steel range as well as process efficiency and optimisation advice (our Steel Efficiency Review®), streamlining the manufacturing process of its premium range of architectural products.

According to Steel-Line Garage Doors Purchasing Manager Brenda Grundy, working with BlueScope Sheet Metal Supplies for the past five years has helped her company achieve a number of process milestones.

“With their Steel Efficiency Review® (SER), BlueScope Sheet Metal Supplies has helped us in a number of ways including analysing our production processes to help further promote our efficiency, identifying new business opportunities and also helping us with research and development ideas.”

“The two way relationship that has been formed and that is maintained between Steel-Line Garage Doors and BlueScope Sheet Metal Supplies cements a future for both parties,” said Brenda.

“BlueScope Sheet Metal Supplies looked at our manufacturing business as a whole and also at our entire supply chain and identified areas where they could help improve our efficiencies including increasing the safety stocks of GALVABOND® steel, and helping us with the smarter storage of steel coil,” said Brenda.

“BlueScope Sheet Metal Supplies has helped us cut down on waste while also streamlining the delivery and handling of the GALVABOND® steel as well as helping the company with a range of marketing and promotion concepts.”

“They have really helped us in a lot of ways – our relationship with BlueScope Sheet Metal Supplies is integral to us and we hope we will continue that relationship for the next 35 years.”

For more information visit [www.steel-line.com.au](http://www.steel-line.com.au)



# THE STEEL EFFICIENCY REVIEW® - TURNING STEEL INTO GOLD

## CASE STUDY 02 > FENCING AND GATE CENTRE

“Using the powerful SER® process we were able to identify a number of opportunities where we could deliver real value for our customer.”

Tim Mason - BlueScope Sheet Metal Supplies.

**The news has been all good for rapidly growing manufacturer and distributor, Fencing & Gate Centre, since it made a strategic switch to COLORBOND® steel nearly two years ago.**

Since that decision the company has expanded from its western Sydney base to tackle the Queensland market and has enhanced its reputation by leveraging the strength of the BlueScope brand through its relationship with BlueScope Sheet Metal Supplies.

Director and owner Christopher Ford joined Fencing & Gate Centre in 1996, having already accumulated extensive sales and installation experience in the fencing industry.

The company's focus on quality products and a strong emphasis on customer service and has allowed it to become one of the largest manufacturers and distributors of quality fencing products in Australia.

“Early last year we undertook a Steel Efficiency Review® at Fencing and Gate Centre,” explained Tim. “Using the powerful SER® process we were able to identify a number of opportunities where we could deliver real value for our customer.”

The Review process identified handling improvements that could be achieved by moving to a different feed coil size and additional improvements by changing the way BlueScope Distribution placed dunnage on its slit coil packs.

The Steel Efficiency Review® also identified benefits available to both businesses by implementing the BlueScope Inventory Assistance Scheme.

The Inventory Assistance Scheme adopted for the business ensures a consistent supply of material across the wide COLORBOND® steel colour range. Fencing & Gate Centre manufacturing activities consume large volumes of COLORBOND® steel coil.

The Inventory Assistance Scheme allows Fencing & Gate Centre to free up capital previously tied to inventory without compromising manufacturing efficiency.

“It allows us to keep our stock levels up at Minchinbury, at our warehouse in Silverdale and at our Queensland premises at 3281 Logan Road in Underwood,” Christopher Ford said.

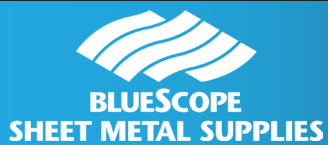
“Customers can pick up stock from any site from 7am to 5pm Monday to Friday and up until 1pm on Saturdays.

“By basing our boundary fencing on COLORBOND® steel we have ensured we have readily available stock of the best quality, with competitive pricing for an easy to use product.”

For more company information visit [www.fencingandgate.com.au](http://www.fencingandgate.com.au)



**Fencing and Gate Centre's Chris Ford (centre) with BlueScope Sheet Metal Supplies.**



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[www.bluescopeplatesupplies.com.au](http://www.bluescopeplatesupplies.com.au)



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