The Potential in Demountable Walls

Make No Mistake About It, the Demountable/Movable Wall Market is a Strong One With Excellent Potential for a Contractor With Good Crews and a Strong Marketing Sense

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Without question, the movable wall partitions business is becoming extremely lucrative for contractors.

Systems are fast gaining acceptance by designers and corporations. New technologies are keeping pace with demands. Manufacturers have made strong commitments to the industry's long-term growth. And right now, in most areas of the country, there appears to be something in it for anyone willing to make the right commitments.

Yet, both the successful and not-so-successful contractors will tell you movable (or demountable) wall contracting is a whole new ball game—requiring a new set of rules, techniques, approaches and, most important, attitude adjustments.

It’s no longer just a matter of bidding the project. The ability to “sell up” or negotiate work is essential. Movable wall contractors find they must also have a strong “sales and marketing” organization to stay competitive. After all, movable wall systems are complete “turn-key” contracting jobs. Unlike fixed wall construction, they do not require involvement by other wall finishing trades. This means, of course, that contrac-
tors are essentially selling the services formerly handled by these other groups. To sell a project, they must be able to effectively interface with architects, interior designers, facility managers and general contractors. They must understand design criteria and specifications, fire ratings and acoustical values. Unlike traditional fixed wall projects, they are selling a concept—a concept in which the client may not have had any previous experience.

To have been a long-standing drywall contractor, even one with 25 or more years experience, is, in itself, not an instant guarantee of success. The field may appear to be no more competitive than before, but many of the players have changed . . . and so have their objectives. But, the risks any contractor would take are no different than for any new venture—those willing to make a sincere, properly guided commitment to movable walls are finding the rewards well worth the challenges.

What are the real opportunities in movable wall contracting? This is perhaps best answered by three successful movable wall system contractors who have found their market niches and are, like all others in this business, continually assessing the potential that lies ahead.

How did you get started in the movable wall/partition business and why?

WILLIAM F. BISHOP III, Executive Vice President, Johnson Interior Systems, West Springfield, MA: “We originally got involved with movable walls 25 years ago as a means of diversification. We needed to keep our people busy during slow periods. Profit potentials were very good, because we weren’t dealing in bid situations 95% of the time.”

GENE P. HAMBLE, President, Irvine Interior Systems, Inc., Tustin, CA: “I started out in 1954 in steel movable partitions. After 13 years with the same company, I later sold movable partitions for several others and eventually branched out.”

STEVE GARRETT, President, Terstep Company, Inc., Noblesville, IN: “It was a sales opportunity to compete on a basis other than just plain drywall. An opportunity, if you will, to sell a project up.”

How competitive is your individual market area?

HAMBLE: Very competitive. We basically have a drywall market in Southern California, and it’s very dif-
Movable wall systems are fast gaining acceptance by designers and corporations alike. The movable partitions business is becoming an extremely lucrative one for contractors who are willing to make the right commitments.

It is becoming more and more competitive. More manufacturers. More contractors entering the market. Five years ago, we were one of the few new contractors handling movable walls.

GARRETT: Like anything else, when it’s been around for a while, it becomes competitive.

What is the profit potential for movable wall systems in your market area?

HAMBLE: The profit potential is there because there aren’t very many people into demountable partitions.

GARRETT: The profit potential, like all portions of the construction business, is governed by expertise. Overall, it’s stronger due to a lower number of competitors as well as the opportunity to sell a particular line’s features and move away from strict price comparison.

BISHOP: On an average size job against fixed drywall, we try to maintain a profit margin of 25%. On a negotiated basis, we try to keep our margins 30 to 35%.

Ideally, what is a healthy ratio of movable wall bid work to negotiated work for your company?

HAMBLE: Since we are involved in the school market here, a good portion of our volume is bid work. Obviously, negotiated work would be better, but we have to be realists. What we’re looking at is probably 25% negotiated, 75% bid.

GARRETT: While the general thrust of the movable wall business is oriented around selling, and, therefore, contracts tend to be negotiated, it is important to be competitive in open bidding situations. Our movable wall business would be in the area of 80% negotiated, 20% bid work. This contrasts with an approximate 50:50 ratio on the balance of our company’s volume.

BISHOP: 60% negotiated, 40% bid work.

What might hinder or threaten to the future of movable walls?

BISHOP: Personally, the biggest threat is from the manufacturers themselves. Because their systems are proprietary, contractors, in most cases, must buy all components from that manufacturer. But to increase their market share, manufacturers are giving the lines to more and more people in each region. That does nothing but drive profits down. That’s the real threat.

GARRETT: I don’t see any impediment on the horizon.

HAMBLE: The demountable partition market will get better because the market is now approaching that of drywall. It’s a matter of promotion and education of architects and consumers as to the benefits of the systems such as tax credits and the fact that they are as competitive as fixed drywall partitions.

How do you build your business? What sales techniques do you use to sell movable walls?

GARRETT: Two ways in general. One would be proposing demountable walls for projects already designed for fixed walls where they’d be an owner advantage. The second way involved projects at the planning stage where we sell the idea even before designs are fully developed.

BISHOP: Most people in our industry aren’t sales people. They simply go out and bid jobs and develop relationships with general contractors over the years. In the movable wall business, where you sell directly to the specifier or the end user, it’s been a difficult transition for most companies. Technique-wise, we write a cost comparison to show customers exactly what their benefits are over fixed wall.

HAMBLE: The demountability is the prime mover for movable walls—but not so much that they’re easy to take down and reerect. It’s that with the advent of computers, there’s a growing need for access to the wall cavity. This we emphasize.

What really makes the “sell”?

BISHOP: It’s a bit of everything. But what really sells is that we deliver service and quality and that we’ve been around 33 years. To tell you the truth,
It doesn’t make a whole lot of difference what system we sell. If we do a nice job for customers, deliver it on time, they’re going to be happy regardless of the system.

HAMBLE: Number one is the product itself. Next are service and price.

GARRETT: The movable wall concept and our company’s background make the sale. National manufacturers probably generate some interest, but most sophisticated buyers are interested in the local contractor’s track record.

What is hot in movable walls today?

BISHOP: Right now it’s the system’s ability to interface with different furniture systems—to look just as rich. More customers, for example, are willing to pay extra for the look of fabric.

HAMBLE: The hottest item is the accessibility to the wall cavity, not so much color changes.

GARRETT: It depends on the market. If there’s anything particularly hot, it might be colors or radius corners.

In five years, where will your movable wall business be?

BISHOP: If the trend continues, we’ll probably quadruple our movable wall business by then.

GARRETT: As movable wall product lines evolve and various wall systems are incorporated into special situations such as clean rooms and high abuse areas, our overall market potential will expand. Our business will become a strong mix of standard wall systems, such as those utilized in office buildings and special applications.

HAMBLE: We’re preparing our five-year plan. Our one-year goal, though, is to increase our business, 20 to 50 percent.

What advice would you give to contractors who are interested in starting in the movable wall business?

GARRETT: They should make a list of all the offerings available within the industry, figure out the product strengths and weaknesses and then match that up against the existing establishments where they could be specified. It’s not an easy decision, but once you decide, you should stay with that decision. The worst thing in the world is to represent too many people. You must also stock inventory. If you don’t, your reputation dies instantly.

HAMBLE: Number one, they should accept the fact that it might be a limited market for awhile. Number two, they should have good service to sell. And number three, they should have good financing to carry an inventory so they can respond to orders within a week’s time.

BISHOP: Most people who’ve been in the business for any time usually have well qualified mechanics. Installation is not that difficult, but there is more finished work than standard fixed walls. The biggest problem most companies face is getting their product to market. You can have the best system in the world, but if you can’t sell it, nobody’s going to buy it.

What financial considerations do contractors have to make to start up their own movable wall business?

GARRETT: It depends on what level they want to start. An inventory may require $10,000. But, it’s just as important to have company promotional materials. Something that sets you apart from the guy walking in off the street. You need local company identification if you’re going to build your reputation.

BISHOP: You have to be able to stock material. People selling drywalls or fixed partitions can go to any lumber yard or dealer and pick up materials to build a wall. To offer customers the same immediate service, you’ll have the up-front cost of maintaining inventory.

Where would they get their training to start such a business?

BISHOP: That’s a tough question . . . some manufacturers provide an awful lot of selling support. Others just give you the product, some literature and say “do your best.” Successful manufacturers help dealers march in there with the product. All the advertising in the world is great, but unless dealers are attuned to selling, it’s a wasted effort.

What changes are needed in movable wall systems at present?

GARRETT: Making the walls less complicated to build so that in-house people can move the walls around without calling in external contractors for every change. Not that the systems are complicated now, but less complicated would be better.

What are the roles of the contractor and manufacturer in this industry?

HAMBLE: The contractor’s role is to install the product as the manufacturer prescribes, then find shortcuts to improve the installation. Hopefully the manufacturer will share what is learned with other contractors. Contractors and manufacturers should be a team.