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ASSOCIATED GENERAL CONTRACTORS OF AMERICA – FMI 2012 BUSINESS DEVELOPMENT SURVEY



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AGC of America
THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA
Quality People. Quality Projects.



May 11, 2012

The Associated General Contractors of America and FMI Corporation are pleased to announce the results of the AGC-FMI 2012 Business Development Survey.

We launched our survey in late 2011 to help better understand how successful firms were utilizing their business development initiatives to navigate the currently challenging economic climate. In addition, the survey focused on the effect that the economic climate was having on the beliefs of industry participants and their experiences with regard to business development.

In total, 305 chief executive officers, presidents, business owners, executives and other business development professionals from across the industry responded. We are tremendously grateful for the investment of time and energy made by these individuals. The insights learned from this study concerning business development efforts in today's world are thanks to them.

It is our sincere hope that you will use the information contained in this report to evaluate your firm's business development strategies and find creative ways to improve those efforts in the years to come.

Best regards,

Stephen E. Sandherr
CEO, AGC of America

Cynthia Cechini Paul
Managing Director, FMI

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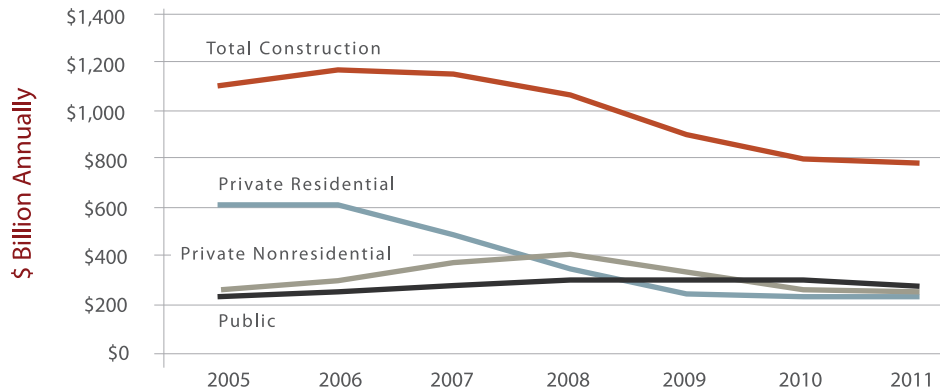
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Introduction

Construction spending has stalled at \$800 billion annually during the past two years. That is two-thirds of its peak volume of nearly \$1.2 trillion in 2006 (Exhibit 1). Reduced volumes intensify competition as companies fight to retain volumes from a shrinking pool of projects. Many firms are grappling with the challenge of either finding growth through unconventional means or accepting the realities of life at a smaller size.

Exhibit 1: Construction Put in Place 2005-2011



Source: Census Bureau

Pockets of growth are hidden behind these depressing numbers. There are firms making money, firms with healthy backlogs and firms pursuing ambitious strategic goals. What differentiates these firms? How are their business development approaches helping them win in today's market?

The AGC-FMI 2012 Business Development Survey sought to understand how firms view and execute business development differently in today's environment when compared to their experiences during the boom years that preceded the Great Recession. By comparing the results of this year's survey with those of FMI's 2004-2005 Business Development and Marketing Report, it is clear that times have changed profoundly.

Survey Structure

The survey was structured to gather information about respondents' firms in four main topic areas:

Firm Demographics	Business Development Function	Performance	Strategy
<ul style="list-style-type: none"> Type of Firm Revenue Size Markets Served Geographic Scope 	<ul style="list-style-type: none"> Revenue to Business Development Planning Staff 	<ul style="list-style-type: none"> Profitability Hit Rate Backlog Composition Repeat Business 	<ul style="list-style-type: none"> Competitive Advantage Strategic Beliefs

The report document is structured to follow the survey sequentially.

Survey Respondents

The Associated General Contractors of America and FMI Corporation collected 305 survey responses during the fall of 2011. Respondents to the AGC-FMI 2012 Business Development Survey consisted of CEOs, presidents, owners and other executives, as well as other business development professionals, from across the industry. The respondents represent a mix of general contractors and subcontractors, as well as firms of varying revenue sizes, geographic footprints and market sectors. Exhibits 2 – 6 summarize survey respondent demographics.

Exhibit 2: Type of Firm

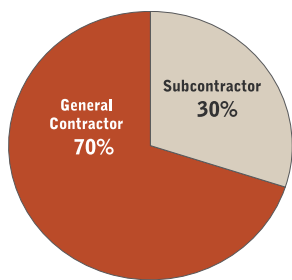


Exhibit 3: Size by Annual Revenue

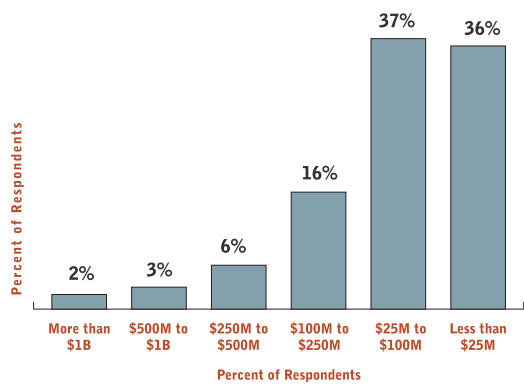


Exhibit 4: Market Sectors Served

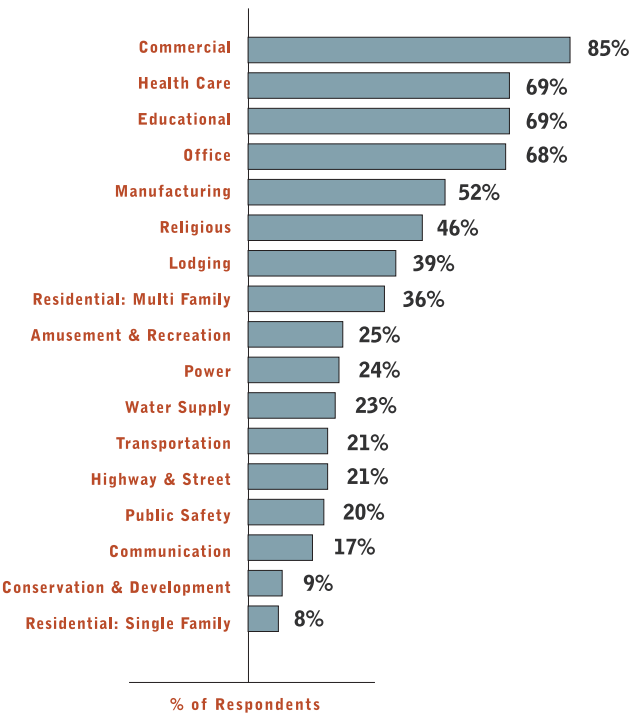


Exhibit 5: Geographic Footprint

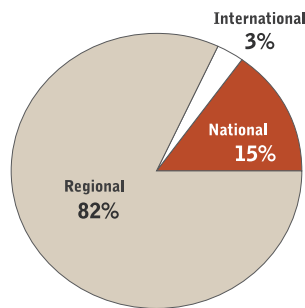
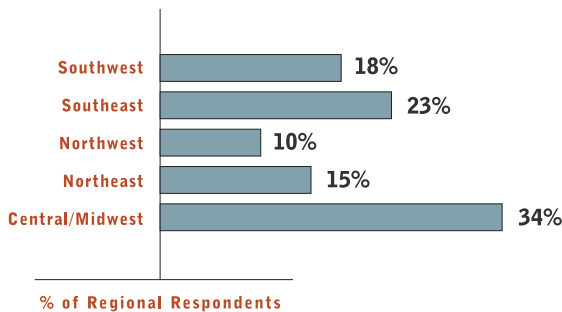


Exhibit 6: Regional Footprint



Constrained Environment

The last few years of slow growth and sluggish put-in-place figures has taken its toll. Of respondents, 74 percent reported flat or declining profitability compared to two years ago (Exhibit 7).

While profitability trended downward over the past two years, 83 percent of respondents were profitable or broke even in the last fiscal year, as shown in Exhibit 8. Only 17 percent of respondents reported a net pretax loss.

In comparison to FMI's 2004-2005 Business Development and Marketing Report, the number of firms who reported pretax profits of 6 percent or greater fell from 21 percent to 14 percent of respondents, respectively.

Exhibit 7: Are you more or less profitable today than two years ago?

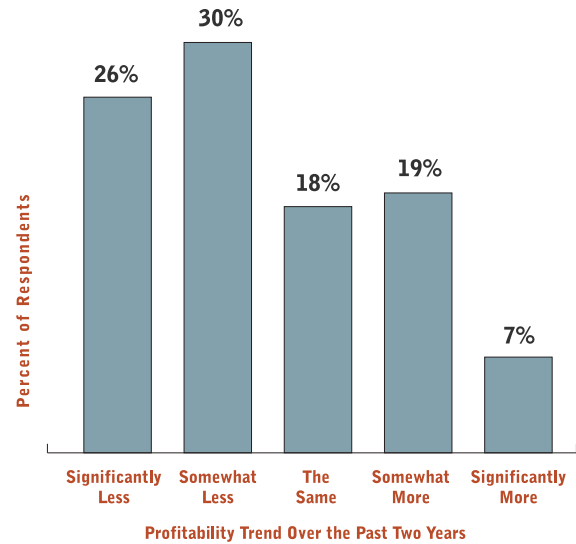
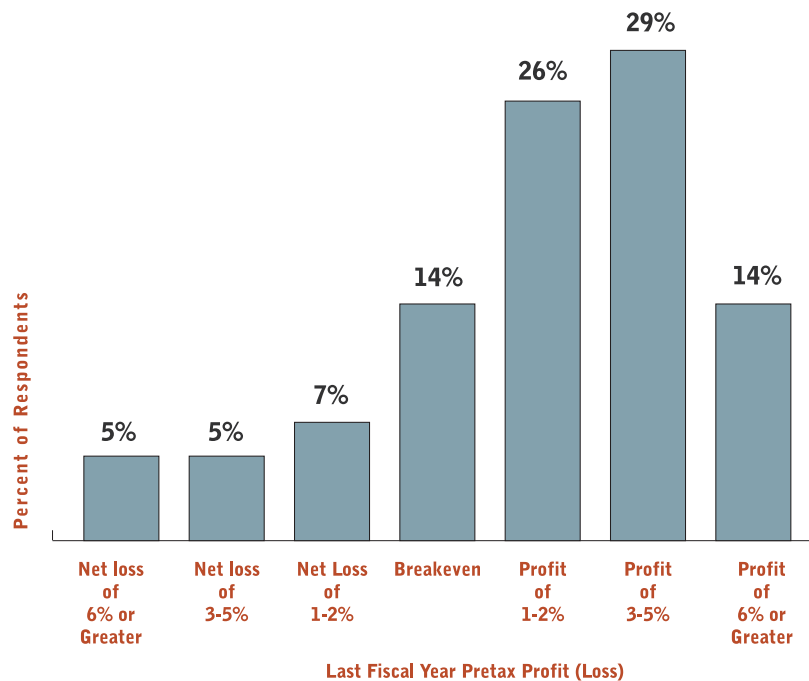


Exhibit 8: What is your pretax profit for the last fiscal year?



Impact on Business Development

Despite significant differences in the operating environment between 2005 and today, the underlying principles behind business development are the same: Win the right volume of work of the right type with the right customers for the firm to be profitable and achieve its strategic goals. These principles apply whether the goals are to grow within its existing markets, enter new markets or simply maintain market share.

Business development as a term has many different meanings in the industry. To some, business development represents the people whose responsibility is building relationships. For others, it is the work done by everyone in the company to target, win and maintain customer relations over the long haul.

Business development is the strategic integration of marketing, sales and customer service efforts.

Business development, as discussed in this survey, is the strategic integration of marketing, sales and customer service efforts. It is the work of understanding what the customer values and systematically delivering that value over the life of the relationship. Ideally, business development is meeting the needs of the customer in a way that no competitor can readily match.

Business development, when effectively executed, is the work of everyone in the company. Its purpose is to create and deliver a consistent customer experience.

Business development is more than a department, a group of people or a clever marketing tagline. Instead, for “best of class” contractors, business development is a central element of the firm’s overall strategy.

The survey clearly identifies that a number of contractors are in the process of transitioning from business development as an island to business development as an integral piece of the firm’s strategic vision. The firms that remain stuck are focused on reactive measures for targeting and winning projects. This difference is best seen in the disparity among survey respondents with regard to profitability, backlog composition and repeat business. For the reactive companies, the economic tumult of the last few years has been deeply felt.



Qualifications Are Not Enough

"It is not enough to have the best qualifications and the best team for the project. Clients are also demanding very low fees and they are getting them. More time is being invested by our technical staff time in the project pursuits in order to define the approach and scope specific to the opportunity. Our competitors are actively seeking out our current client base. We are focusing more time on making our current clients our future clients."

Dana Birkes, Corporate Vice President,
Business Development and Marketing
Flintco, LLC

Business Development Spending as a Percent of Revenue

Companies are investing more today in business development than they did in the past. As Exhibit 9 shows, survey respondents reported spending a greater percentage of revenue on business development in 2012 as compared to respondents to the 2005 survey, when nearly 70 percent of respondents committed no more than 1 percent of revenue to targeting and winning work. This year only 27 percent reported spending that little on business development.

Companies are investing more today in business development than they did in the past.

It is not only the largest companies that are dedicating significant portions of revenue to targeting and winning work. Companies of all sizes are spending more on business development.

Interestingly, Exhibit 10 shows more midsize respondents spent less on business development when compared to both smaller and larger firms. A greater percentage of midsize respondents reported spending less than 1 percent of revenue on targeting and winning work than smaller or larger firms, while a smaller percentage of midsize firms reported spending more than 4 percent of revenue on targeting and winning work. Midsize firms also had the lowest average hit rates across multiple types of work (Exhibit 11).

Exhibit 9: What percent of your annual revenue do you spend on targeting and winning work?

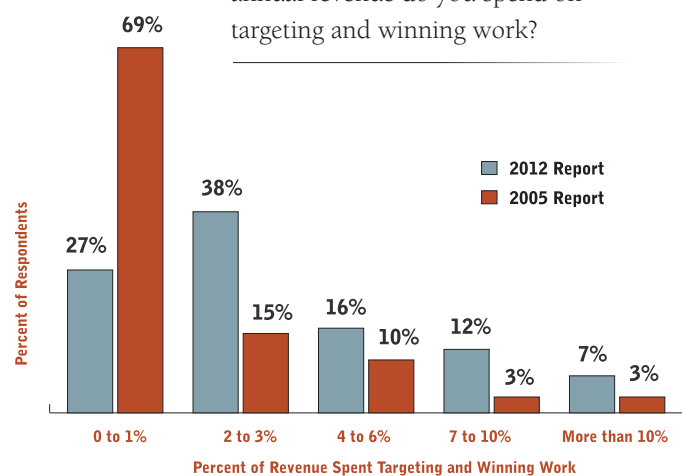


Exhibit 10: Percent of Revenue Dedicated to Targeting and winning work by firm revenue size

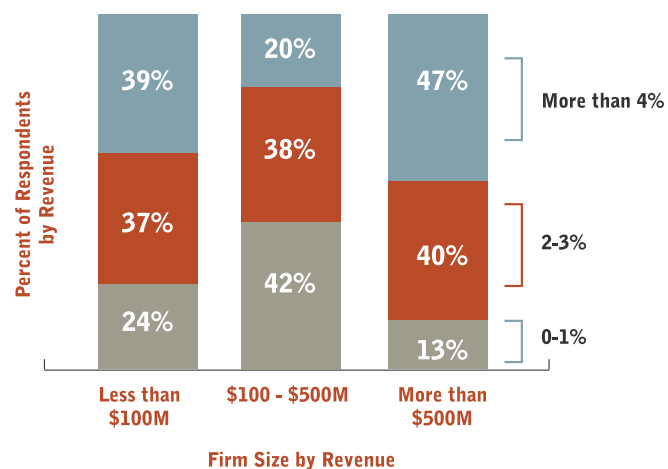


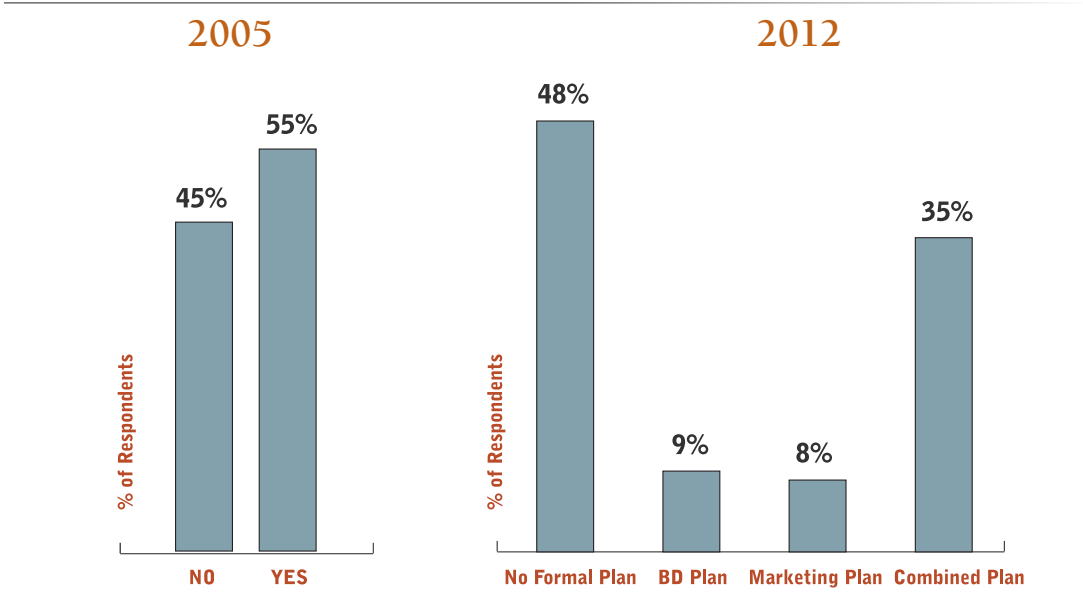
Exhibit 11: Average Hit Rate by Type of Work and Firm Revenue Size

	Less than \$100M	\$100M-\$500M	Greater than \$500M
Lump-Sum Public	16%	14%	17%
Lump-Sum Private	22%	21%	22%
Qualifications and Cost	28%	28%	32%
Qualifications Only	33%	32%	35%
Negotiated with No Competition	70%	68%	93%

Business Development Planning

Exhibit 12: Business Development Planning 2005 Results vs. 2012 Results

Do you have a formalized business development or marketing plan that is tied to your strategic plan?



Despite the challenges of winning work, the number of respondents actively planning their marketing and business development efforts has not changed from 2005 to 2012. In fact, the percentage of respondents who have no business development plan has actually risen slightly since 2005, from 45 percent to 48 percent (Exhibit 12).

As President Eisenhower famously said, “Plans are nothing; planning is everything.” While respondents appear to be indicating that no formal plan exists, FMI’s experience in working with general contractors and subcontractors is that more firms are integrating their business development plans into a larger market segment or regional plan, as opposed to having a stand-alone document. Contractors do have robust business development plans; they are simply a key piece in larger plans for the company, division and/or market segment. On the other hand, for contractors that have a significant, centralized resources in business development, the stand-alone business development plan remains strong.

Integrated Business Development Planning

"Our business development plan rolls off the strategic planning exercise, which our executive team conducts annually. Our universe is the professional, repeat buyer of construction. We do no government work. We do a significant amount of our work in the industrial, health care and higher education markets on a negotiated and/or time and materials basis."

"Because we track our opportunities, prospects and accounts in a CRM database and analyze project data on a regular basis and annually, our executives are able to work with the director of business development and marketing to establish objectives and targets for the year and to establish marketing and business development directives to support those goals."

Tom Finan, Director,
Business Development and Marketing
Helmkamp Construction Company

"We have a companywide strategic plan that is supplemented by integrated business plans for each profit center. Annual plans include a SWOT assessment, current status and goals specific to operations, staffing, financials and business development. The management team for the profit center drafts the plan and presents it to the CEO, CFO and V.P. of business development for input. Quarterly reviews regarding plan status occur with this same group."

Dana Birkes, Corporate Vice President,
Business Development and Marketing
Flintco, LLC

Elements of a Strategic Business Development Plan

1. Strategic Vision

Develop clarity of vision for the company. It is the beginning of every effective business development plan. It outlines where the company wants to go and how it will secure its revenue. The business development plan is the systematic process of winning the right customers, projects and markets.

2. Competitive Assessment

Build on facts. Include market research to get an accurate look at competitors. The key is to identify where competitors are positioned in the mind of the customer, what they promise/deliver and where opportunities exist to differentiate your firm.

3. Customer Research

Investigate overall customer satisfaction. Understand what customers value from contractors in general and of your company specifically. Investigate the criteria customers use to select contractors — and how you and the competition measure up. Research should also include the following:

- Market sizing and forecasting
- Company image analysis
- Customer buying practices
- Customer satisfaction and loyalty

4. Value Propositions

Give them a reason to pick you. The center of a customer-focused strategy, your value proposition answers the specific question of what your company brings to customers, the benefit and how that differs from competitors. It builds on the company's core competencies and capabilities while aligning with a deep customer understanding. Successful contractors know their value propositions at a market segment, key customer and specific project level.

5. Go-to-Market Strategies

Create a compelling strategy to break in and grow customers, market segments and geographies. These are the heart of all effective business development plans. They outline how revenue is targeted and won. They identify proactive market activities of the company: which customers, what types of work, services provided and the opportunity-specific win strategies needed to secure the work. One set of go-to-market strategies should focus on maintaining and growing value delivered to existing customers, with the goal of driving repeat business and loyalty. Other go-to-market strategies focus on expanding new customers, markets and geographies.

6. Strategies and Key Actions

Determine “how” you will win. Built around the traction elements outlined in part 10, these identify the infrastructure needed to support successful plan execution. Strategies define how to achieve the objectives of the plan.

7. Business Development Scorecard

Measure your progress. The scorecard ties the company vision to key elements of the plan. It provides both leading and lagging indicators of plan successes, challenges and struggles. The scorecard frames the results being accomplished in real time and sets the foundation for measuring return on dollars and time invested.

8. Target Customers and Projects

Pick the right targets. Targeting focuses efforts to increase hit rates and jump-start get-work effectiveness. The targeting portion of the plan matches the right amount of resources to apply to each opportunity or customer. It sets the stage for discriminating people, service and time where you have the greatest probability of winning work. Part of a robust go/no-go process, targeting quantifies the right level of resources to invest in each opportunity.

9. Plan Development

Build a road map. The culmination of the research and planning phases, this is where final decisions are made, priorities set, commitments made and team buy-in is captured.

10. Traction Elements for Implementation

Drive for results. The following represent the infrastructure elements of plan implementation. The more of these elements that are tied to each strategy, the greater the probability a strategy will achieve full implementation and be driven into the fabric of the company.

- Organizational structure and roles — Do you have enough of the right people in the right places to drive results?
- Skills, training and development — What skills and tools are needed to support the effort?
- Resources — What time, money and people are needed to achieve the plan?
- Rewards and feedback — What feedback and rewards are needed to support people through implementation? Do the feedback and rewards support the right behavior or derail the best-laid plans?
- Measurements and metrics — The scorecard used to track success of plan implementation. It includes both leading and lagging indicators.

11. Market Campaigns and Sales Contact Plans

Marketing campaigns and sales contact plans are two critical elements of a robust business development plan. Each adds a layer of specificity to the process and provides tactical support for achieving goals and objectives.

Profitable Business Development

Volume alone does not guarantee a contractor is profitable. As such, business development alone cannot guarantee success. Success comes from having the right business development strategies, tools and resources.

To understand how profitable firms differ from their less profitable peers, firms were categorized through responses to two survey questions:

- Profitability Trend: Are you more or less profitable compared to two years ago?
- Current Profitability: What was your pretax profit last fiscal year?

Each question was used to segment respondents into profitable firms and their peers. Responses of profitable firms were compared to those of peer firms to identify meaningful differences between the two groups across:

- Firm Demographics
- Business Development Function
- Backlog and Project Opportunities
- Repeat Business
- Competitive Advantage

Profitability Analysis Segments

When compared with two years ago, more than one-quarter of respondents reported greater profitability. As seen in Exhibit 13, the More Profitable group accounts for 26 percent of respondents. An additional 19 percent reported comparable profitability (The Same) and 55 percent reported lower profitability (Less Profitable).

26% of companies are more profitable today than they were two years ago

69% of all respondents were profitable

Exhibit 13: Profitability Trend Categories

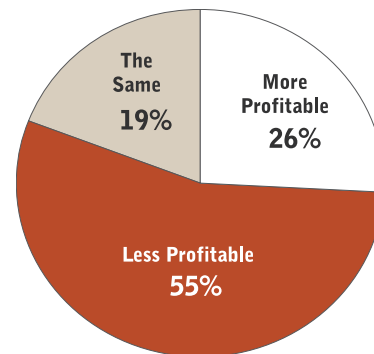
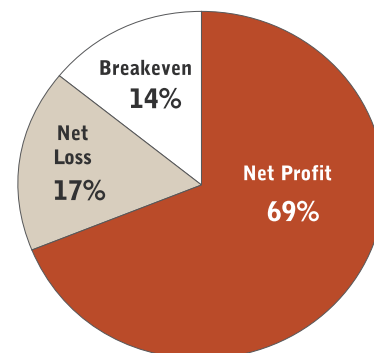


Exhibit 14: Current Profitability Categories



Looking at the last fiscal year alone, more positive statistics appear. The Net Profit group represents 69 percent of respondents. The Breakeven group accounts for an additional 14 percent, and the Net Loss group accounts for the remaining 17 percent (Exhibit 14).

Exhibit 15: Current Profitability Categories — Type of Firm

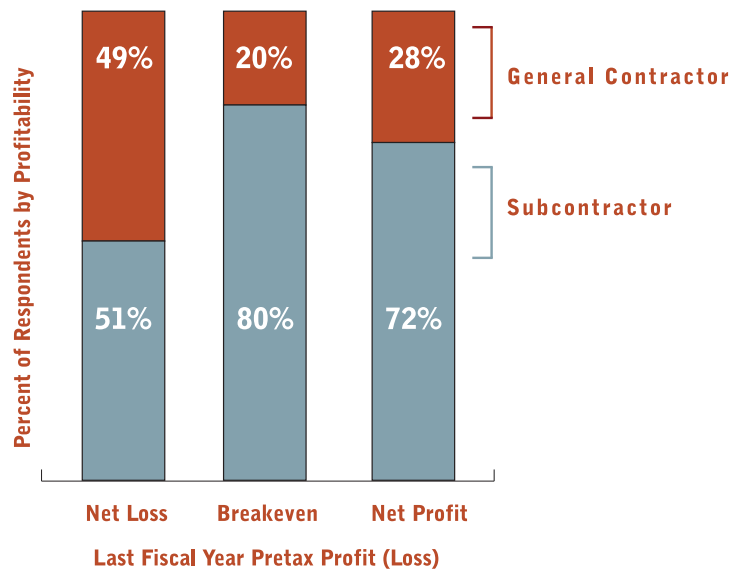
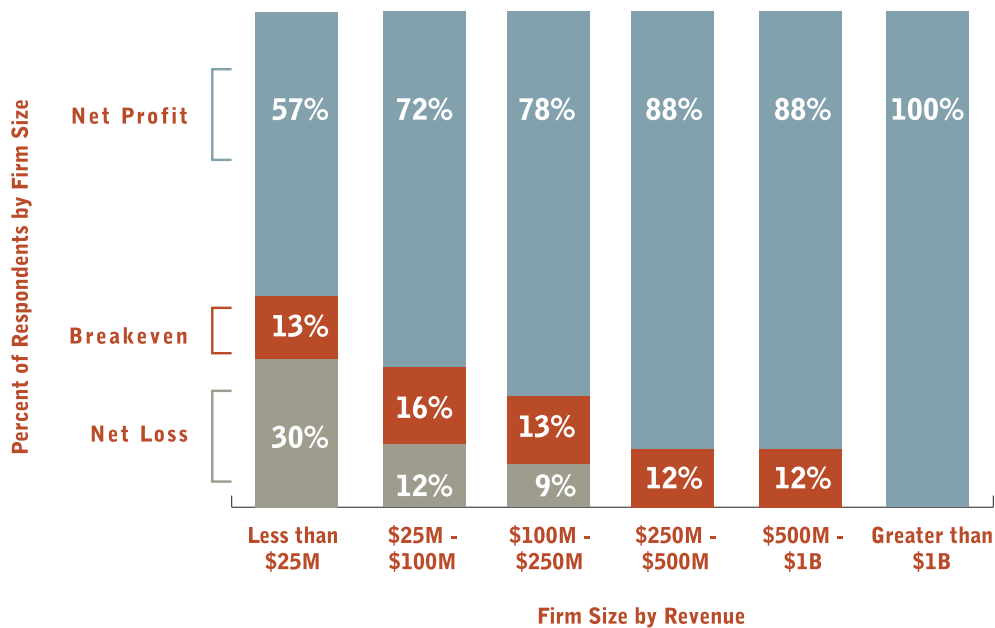


Exhibit 16: Current Profitability Categories — Firm Size by Annual Revenue



Profitable firms and their less profitable peers responded similarly to demographic questions with two notable exceptions. As Exhibits 15-16 indicate, the last two years wreaked disproportionate havoc on subcontractors and smaller companies. These demographic differences are responsible for some of the variations in the rest of the survey. Demographic differences alone, however, do not explain the differences in how profitable firms execute their business development programs.

Business Development Function

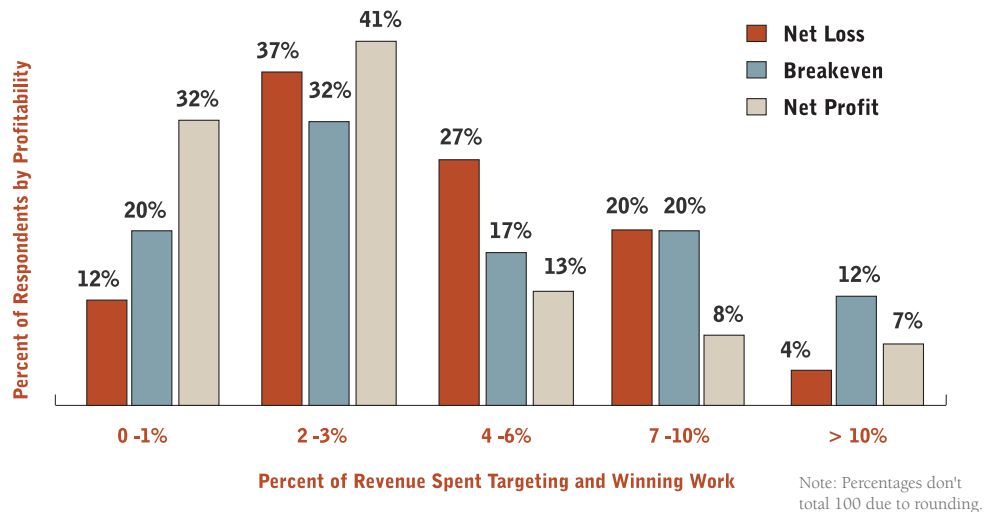
The survey asked a series of questions to explore the business development function of respondents. Questions include determining the:

- Percentage of revenue the firm spends on targeting and winning work
- Number of full-time business development staff
- Firm's business development planning activities

Variations in responses by profitability group were analyzed to understand what profitable firms are doing differently than their less profitable peers.

Percent of Revenue to Winning and Targeting Work

Exhibit 17: Current Profitability Categories - Percent of Revenue Dedicated to Targeting and Winning Work



The percentage of revenue dedicated to targeting and winning work does not differ dramatically between firms in the Net Profit group and those in the Net Loss group, as shown in Exhibit 17. If anything, it appears that firms in the Net Loss group reported spending a greater percentage of their revenue on targeting and winning work than did firms in the Net Profit group. This trend is likely the result of firms not aligning business development spending with high-value activities and targets. The companies most likely have focused on doing more of what they were already doing, rather than refocusing to win in new market realities.

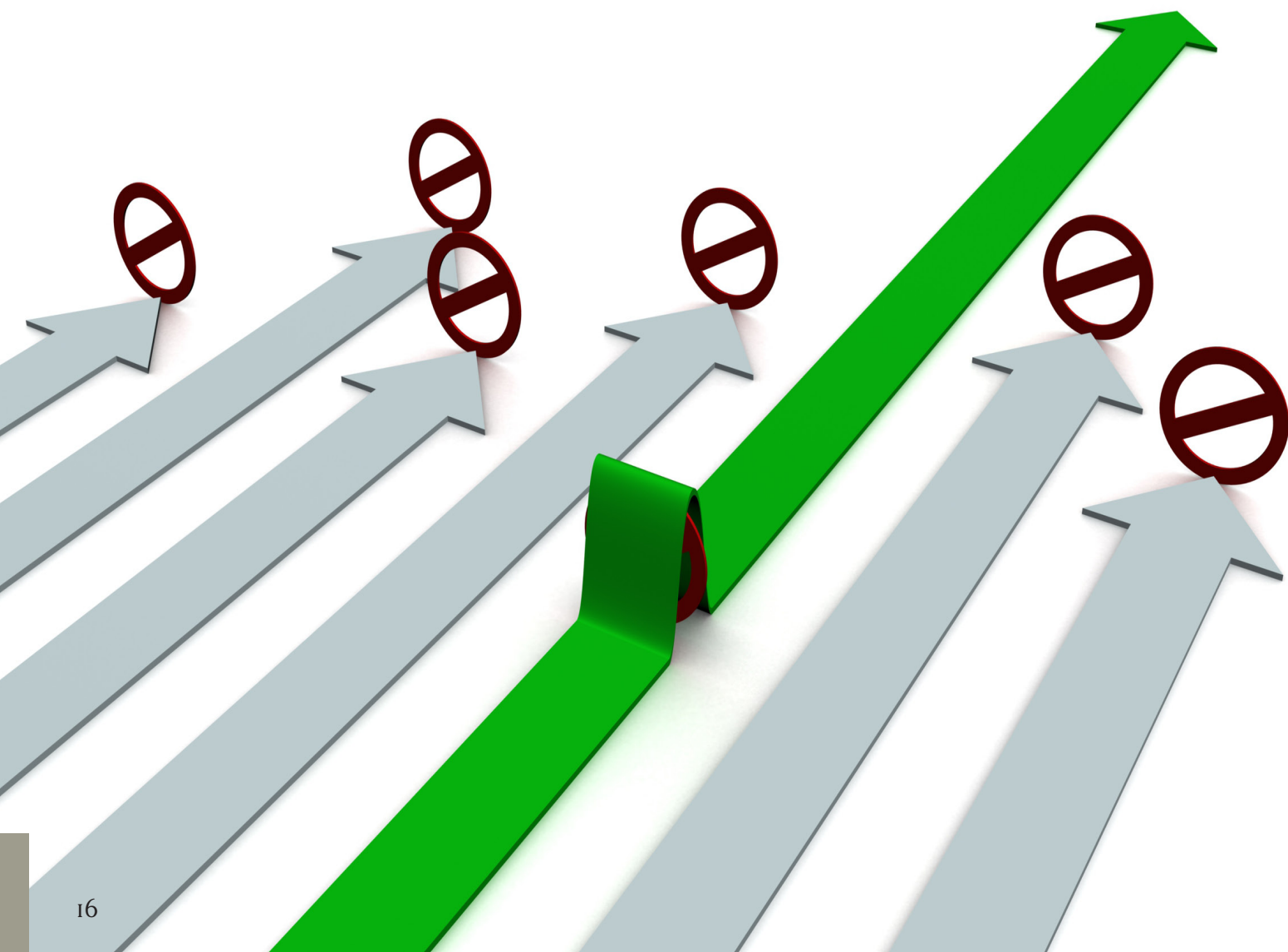
Many companies have significantly increased the amount of work they pursue when sufficient revenue is not available. If their hit rate is half of what it used to be, they simply pursue twice as much work. While this makes sense mathematically, the results rarely follow as expected (or hoped). Instead, companies can find themselves losing key opportunities they should be winning, due to the sheer overload of projects being chased and not being able to invest sufficient resources into a single project.

Business development is not about simply chasing work. It is about winning the right type of work and the number of opportunities the firm needs to be profitable and achieve its strategic goals. The need for a robust strategy for getting positioned and winning projects and customers is more important today than it was in 2005. Chasing any and every project is a surefire recipe for disaster.

Investing More in Business Development Staff

"We significantly expanded our dedicated business development staff a few years before the economic downturn, so our salaries in this category have increased. Prior to adding this staff, our investment in business development activities fell into a variety of line items and was not consistently tracked. Today we are tracking and targeting expenditures based on return on investment more diligently and granularly. We have an annual business development budget with detailed line items that is reported monthly by profit center and by companywide roll-up in relation to budget conformance and to overall expenditures and profitability. As a gauge of how much to invest, we factor in industry averages and our own return on investment."

Dana Birkes, Corporate Vice President,
Business Development and Marketing
Flintco, LLC



Full-Time Business Development Staff

Exhibit 18: Profitability Trend Categories — Full-Time Business Development Staff

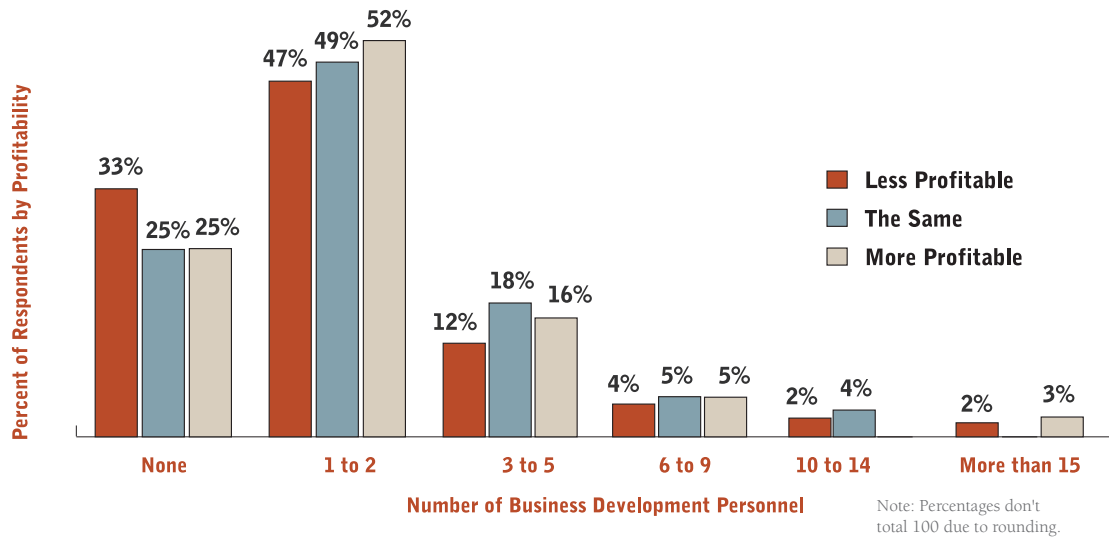
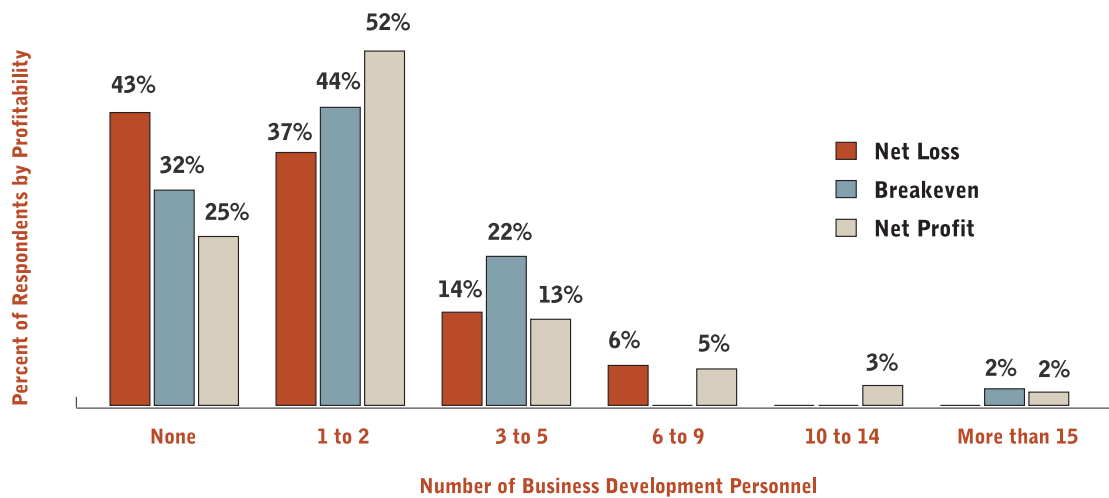


Exhibit 19: Current Profitability Categories — Full-Time Business Development Staff



No clear-cut trend emerges from Exhibits 18 and 19, comparing the number of full-time business development staff across the profitability groups indicates that the “right” number for any given firm is dependent on that firm and its strategic goals. It is important to note that this question does not take into account the size of the firm. Understandably, larger firms are more likely to have full-time business development staff.

Having no business development staff, however, is more common among firms in the Less Profitable and Net Loss groups than among firms in the More Profitable and Net Profit groups.

- 33 percent of Less Profitable group firms compared to 25 percent of More Profitable group firms
- 43 percent of Net Loss group firms compared to 25 percent of Net Profit group firms

The use of business development staff ties directly to the go-to-market strategies of the firm. Obviously, competing in the hard-bid market significantly diminishes the need for business development staff. If a major effort is going to be invested in private or institutional markets, the need for full-time business development staff is very real.

While firms are able to be profitable with no full-time business development staff, the lack of business development staff can serve as a hindrance to profitability among many respondent firms.

Contractors, as well as many architects and engineers, are moving back toward a “seller-doer” model. Customers prefer to talk with people who have the background and experience to lend insights into current and future projects. Some of the most successful business developers have strong operational or pre-construction backgrounds. That is not to say that business developers without such a background are less valuable. One of the unique contributions of business development is to strategically focus on building relationships with new customers and in new markets. The key is aligning business development staff to the right markets and opportunities, while also building the culture of the company around everyone taking responsibility for business development, regardless of title or role.

Industry Perspective: Who Should Sell for Your Company?

"As a business owner and a partner in charge of business development, I can tell you that no one person can sell to everyone. There are many times it becomes clear that I am not the right person for a specific client. Aligning the right personalities is an important strategy of who is best to be in front of the client. We are fortunate to have five partners in the firm and are able to strategize who best fits the relationship of the decision maker's personality. This plays a big role in sales. The personal interaction and reactions to face-to-face conversations are crucial.

Do your homework before any meetings with a potential client. Find out everything you can about that decision maker. This information can completely change your strategy and selection of the salesperson. Today's world makes it very easy to research people. Using social media platforms like the Internet, Facebook and LinkedIn will provide valuable information about your prospective clients. You must do your homework before you pick up the phone or send an email. Personalize that first contact by knowing as much as you can about them or their business. Show your interest in them before you sell yourself.

My golden rule in sales is if I cannot provide value to my clients or intermediaries, why will they want to provide value to me? What does this mean? For example, if we learn there is in-house counsel at a company we are pursuing, we will try to get to know the attorney first. Meet that person a few times, understand what he or she does and who his or her target clients might be. Then during your networking, if you see opportunities that can turn into leads for that attorney, pass them on. Give to get! Do this a few times and you have created value for that attorney, and then you can ask that attorney to create value for you by getting you into a door that has been closed! This does not happen overnight, but, believe me, it works!

So who should sell for your company? That is an internal question for you to figure out. However, I can tell you that a salesperson who has skin in the game of your company's success or failure (ownership) helps tremendously. But never forget, everyone in your company sells. Most of the sales leads we get are from after-hour events in social networks, church meetings and other community activities. They rarely come from a news article. Once it is published, it is wired for somebody else. You or your salesperson cannot be everywhere. Spread the wealth to the employees. Create an incentive plan so that anyone who brings in a lead that turns into a construction project benefits – this works!."

Rick Andritsch, Partner and CEO,
VJS Construction Services and VJS
Lincoln Company

Backlog and Project Opportunities

The structure of a firm's business development program is only one piece of the puzzle in understanding that firm's business development program. In addition, the survey asked respondent firms to report on the composition of their backlogs and the types of opportunities they are pursuing.

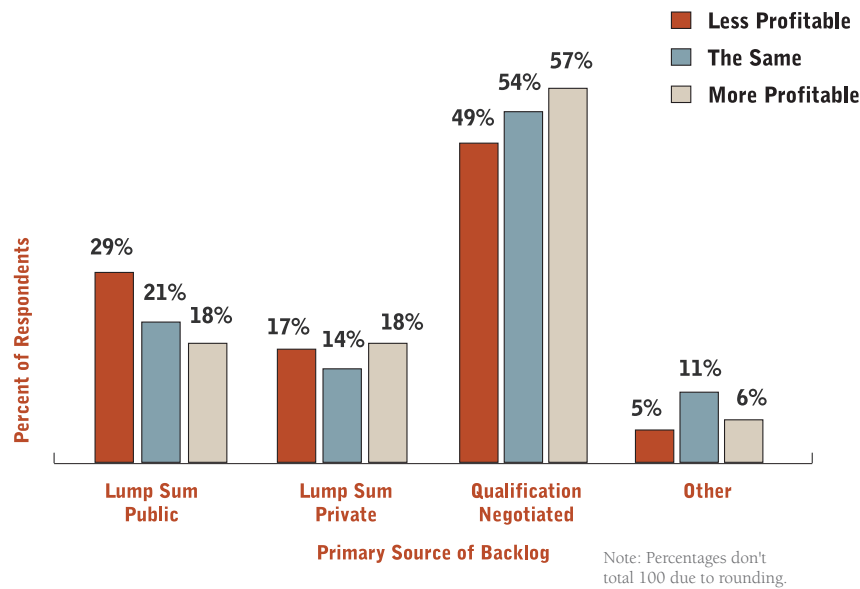
A firm's backlog is one of the measurements in evaluating its overall business development efforts. Great contractors actively manage their backlogs. They are aggressively maintaining not only the volume of work they have in their backlog, but also the quality of projects. They look at the mix of work by type of customer, new versus existing customer, market segment and geographic area. Volume alone is simply not enough. It must include customers and projects that the firm can execute profitably and achieve its strategic goals.

Respondents identified the percentage of backlog that was lump-sum public, lump-sum private and qualifications-based or negotiated, so that the percentages summed to 100 percent. Based on those responses, the predominant source of backlog was used to categorize the respondent's firm. If no one category accounted for the majority of that firm's backlog, it was classified as "Other."

As seen in Exhibit 20, the most common classification for both the More Profitable and Less Profitable groups was engaging in primarily qualifications-based or negotiated work. That said, a greater distribution of the Less Profitable group is primarily engaged in public lump-sum work. Profitability is significantly impacted by delivery methods pursued.

Primary Source of Backlog

Exhibit 20: Profitability Trend Categories — Primary Source of Existing Backlog

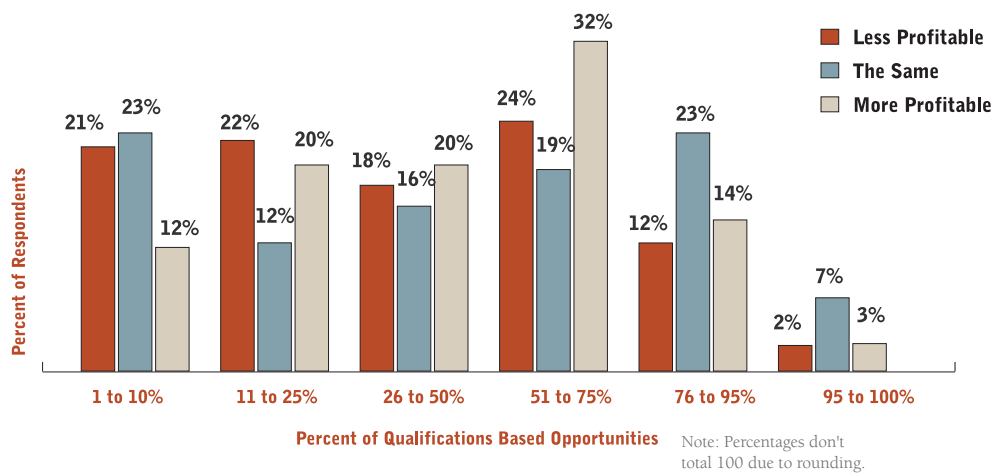


Project Opportunities

In Exhibit 21, the same trend holds true for the type of work the firm is pursuing. A greater number of respondents in the More Profitable group pursue primarily qualifications-based work while their peers in the Less Profitable group tend to pursue a broader mix of project delivery types.

Firms pursuing primarily qualifications-based work tend to spend a greater percent of revenue on targeting and winning work. More firms who primarily pursued qualifications-based opportunities reported spending more than 4 percent of their revenue on business development.

Exhibit 21: Profitability Trend Categories — Percent of Opportunities That Are Qualifications-Based



While contractors engaged in any type of work can be profitable, it is clear that respondent firms had greater success profiting from qualifications-based and negotiated work. Firms that are currently having success winning and delivering lump-sum work should continue doing so. Those who are not, however, would benefit from developing and improving their ability to sell their qualifications and compete on more than price alone.

Negotiated Work Is Out There For You – Go Find it!

"All construction companies have differing areas of expertise. How do we differentiate ourselves? How do we find leads that no one else has identified yet? How do we turn leads into relationships that ultimately become our clients?"

Business development requires – PLANNING! Negotiating work is not about luck; it represents careful, thoughtful strategy and the commitment to implementing that strategy. I continually hear from my industry colleagues that negotiating work in their markets is impossible. My response to them is, "Hogwash!" We need to change our paradigms and the way in which we chase work. Negotiated work is everywhere! Many companies that rely on the public-sector bid market restrict themselves to reactive markets. Learn to take the experience gained from the public bid market and use this expertise to sell to the private market.

It is human nature to take the path of least resistance, and business owners are no exception. We have to step outside our comfort zone and develop a plan to build relationships with business owners or intermediaries who influence these business owners within our area or region. This is the initial process of developing a business development plan, and I mean develop a plan.

First, identify your unique areas of expertise; second, identify your best market opportunities; and third, identify the best internal people (or hire external) to sell these services. We need to get away from selling our services and expertise as commodities and sell the value of the services we provide. Frame your selling strategy around the benefits that customers will get from you – shorter schedule, higher quality, smoother process, no interruption to their business, etc. You will have to find out what matters most to them. Unsophisticated buyers of construction will want to commoditize your services. Do not take the path of least resistance; it is your job to prove to them that you are not a commodity – sell value. Prove to them that you can make their life easier and allow them do what they do best by running their business while you control the construction aspects around them.

Establish a plan for negotiated work and be laser-focused. Be realistic and patient. The more decision makers and intermediaries you meet, the more they will turn into opportunities. Stay the course."

Rick Andritsch, Partner and CEO,
VJS Construction Services and VJS Lincoln Company

Repeat Business

Exhibit 22: Profitability Trend Categories — Change in Percent of Revenue From Repeat Business

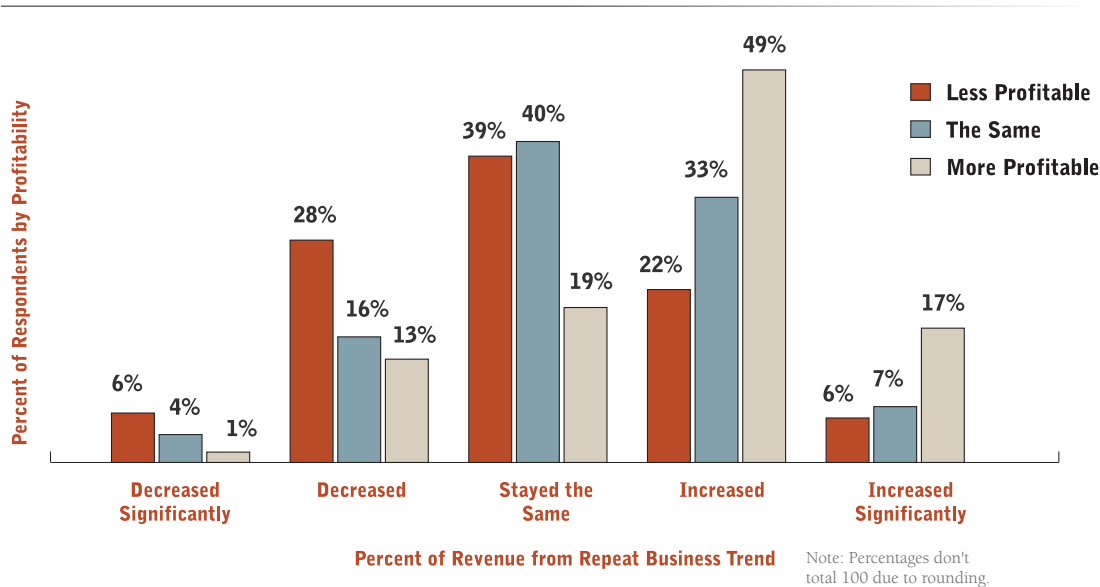
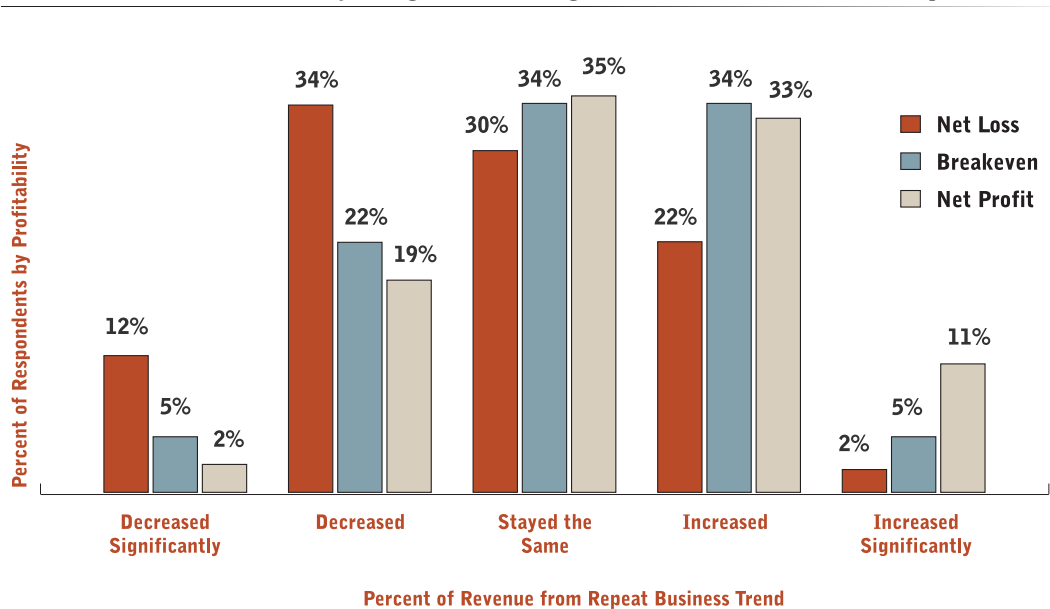


Exhibit 23: Current Profitability Categories — Change in Percent of Revenue From Repeat Business



The most noticeable point of differentiation between profitable firms and their less profitable peers is the trend regarding the percentage change in the share of revenue from repeat business. As seen in Exhibits 22 and 23, profitable firms increased the share of revenue that came from repeat business over the past two years more so than did their less profitable peers. The ability for a firm to convert existing relationships into new business is essential in the current environment. It is far easier to build on a strong relationship and track record with an owner than it is to invest the significant time, energy and resources into developing the relationship and past experience from scratch.

The most noticeable point of differentiation between profitable firms and their less profitable peers is the trend regarding the percentage change in the share of revenue from repeat business.

Creating an effective repeat customer strategy means engaging everyone in your organization in the effort: pre-construction, estimating, project managers, superintendents, etc., all need to understand their role in delivering on commitments on the current project and building the relationships needed to keep the customer in the future.

Changing Face of Business Development

"When it comes to the focus of our marketing and business development efforts, the driving principle behind our efforts never changes – clear client focus. Throughout this fluctuating economy, it has been vital to stay true to who we are as a company and the values behind our client relationships. While we do not put a limit on the time spent to develop and serve client relationships, it is important to continually evaluate the money spent in general business development activities such as sponsorships and events. We rely on a focused, customer-centric approach to these activities in order to create the most impact for our dollar, for both our clients and the communities we serve."

Bethany Rustic Smith, CPSM, Marketing Manager
Turner Construction Company

Recapturing Current Clients

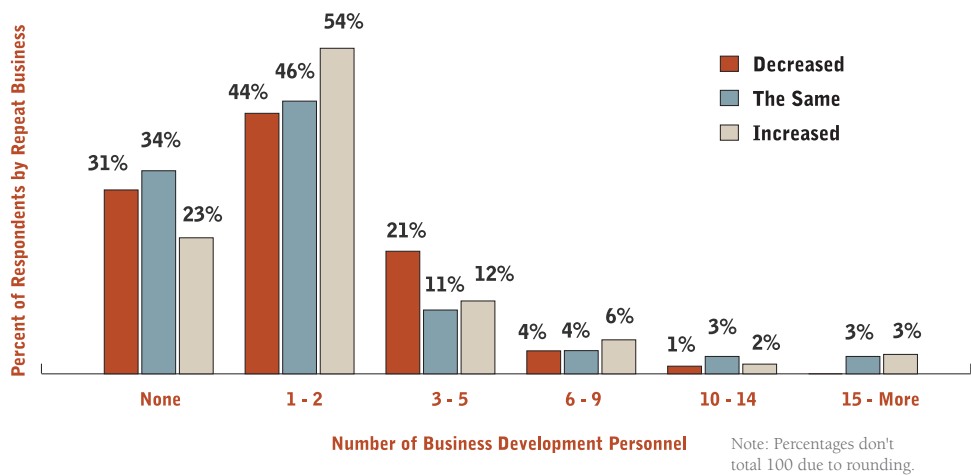
"While our current clients are our captive audience during the construction process, we are implementing project-specific plans to "recapture" our current clients to be future clients. We engage the entire project team in developing this plan before the project starts and tracking its progress throughout the course of construction."

Client loyalty is based on relationships. We are strategically deepening relationships at multiple levels within our clients' organizations."

Dana Birkes, Corporate Vice President,
Business Development and Marketing
Flintco, LLC



Exhibit 24: Repeat Business Categories — Full-Time Business Development Staff



The revenue share of repeat business stands out as a compelling trend that differentiates profitable firms from less profitable firms. What makes a firm good at maintaining the relationships required to hold onto repeat business in a down economy?

The one difference is the number of full-time business development staff, as shown in Exhibit 24. A far greater percentage of firms that saw their repeat business as a percent of revenue decrease had no business development staff. While more business development staff is not always better (see the survey results for three to five business development people), having no business development staff can limit a firm’s ability to hold onto customers and convert relationships into repeat business.

Business development is frequently the glue that keeps a company engaged with its key customers. It serves as the nerve center, ensuring that key contacts from both sides of the relationship are connected. Perceptive business developers set up a zippering effect where senior managers of the company are engaged with senior managers of the customer; project staff with project staff; accounting contacts with accounting contacts. This web of contacts creates a competitive barrier, with more people in your company engaged with a single customer. That bond should help you translate those relationships into unique project approaches and selling messages.

Learn to Manage Customer Relationships

"With the hiring of a new Business Development and Marketing Director in December of 2009, Helmkamp embarked on a program that acknowledged the importance of maintaining relationships with current customers and developing relationships with prospects. Previously the company's customers were invited to lunches, the company's second row seats at St. Louis Cardinals baseball games, and small- and large-scale hunting outings.

We were well-positioned in terms of market niches but needed to manage and develop relationships more intensively in the down market of the past few years. A CRM database was developed. In addition to tracking accounts, contacts and opportunities, we use the database to assign "campaigns" and quarterly "events" to contacts.

The campaigns include email newsletters and other directed case studies by markets.

Events have proven excellent opportunities for bringing customers, prospects, designers and subcontractors together. An example "event" in 2011 was the Oktoberfest for 125 people that Helmkamp held at a trendy microbrewery. "Oktoberfest is German for Networking," read the subject line on the invite email and postcard. Commemorative beer glasses, German food and centerpieces with pretzels in the shape of an "H" promoted a convivial atmosphere. A holiday party attracted about 200 people."

Tom Finan, Director, Business Development and Marketing
Helmkamp Construction Company

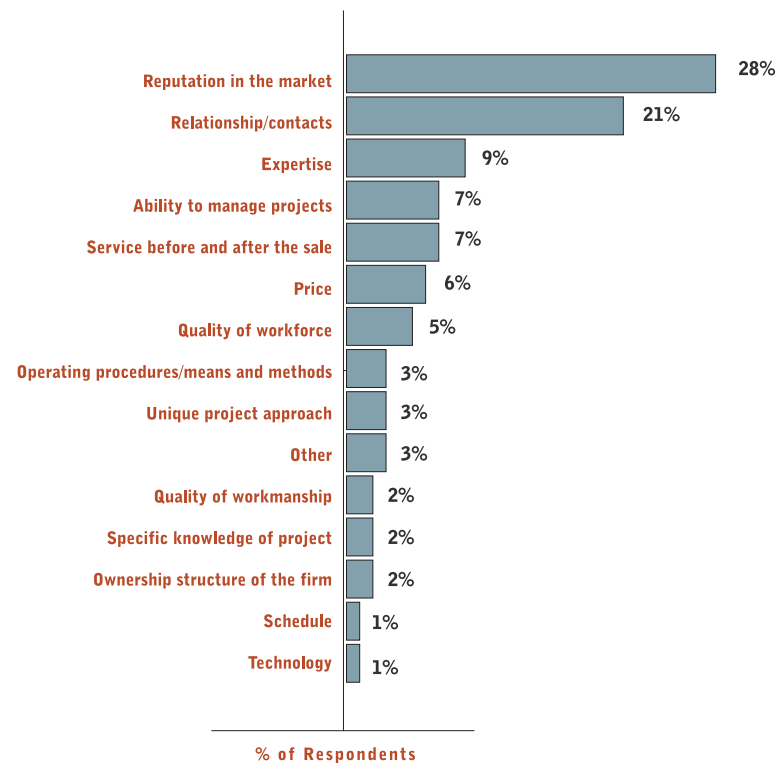
Competitive Advantage

The design of a firm's business development function should result from the firm's strategy and sources of competitive advantage. A series of questions investigated the beliefs of respondents regarding sources of competitive advantage and strategy.

Similar to responses to FMI's 2004-2005 Business Development and Marketing Report, Exhibit 25 shows that reputation in the market and relationships were the most commonly selected sources of competitive advantage.

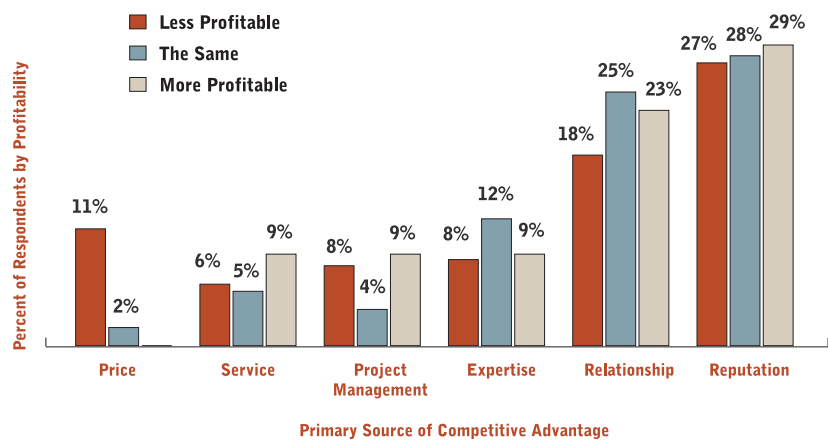
Reputation and relationships are certainly keys to winning the right work. When you are competing against the biggest and best contractors, however, your competitors also have great reputations and deep experience. The real value is how your reputation and relationships translate into specific value for your current and prospective customers. The value received by the customer is at the heart of any competitive advantage. It is nice if the customer knows you have deep experience or a good reputation; but if you cannot translate both of those into tangible and, ideally, quantifiable benefits to the customer, what is going to keep them from choosing another contractor for the next project? What is it about your deep experience or reputation that truly sets you apart from your competition in a way that your customer will value? That is the key selling message and what you need to deliver on each and every project.

Exhibit 25: Sources of Competitive Advantage



As shown in Exhibit 26, more than 10 percent of firms in the Less Profitable group selected price as their firm’s primary source of competitive advantage. None of the firms in the More Profitable group believed that price was the source of their competitive advantage. While firms can profitably compete on price, a must in competitive bidding environments, the data in the current survey indicates that competing on price alone is more likely a recipe for declining profitability in a market of intensifying competition and declining volumes. Instead, firms that are able to differentiate the value they can deliver to the customer successfully are better-positioned to win and profit from that work.

Exhibit 26: Profitability Trend Categories — Top Sources of Competitive Advantage



Conclusion

In a world of diminished volumes and sluggish economic growth, firms face greater challenges from competitors and customers than they have in years past. With economic data pointing to a continued slow recovery through 2014-2015, it is safe to assume that these market forces will remain.

Firms that effectively utilize their business development efforts to combat the challenging environment set themselves up for success. Business development alone does not make a firm profitable. However, it does provide the opportunity to succeed by cementing customer relationships and bringing work in the door. Strategic business development requires an awareness of customers, projects and types of work you are best-suited to deliver profitably, develop a plan to secure that work, and then execute on the plan.

While the headwinds we are facing are very real, they are not impossible to overcome. You cannot change the economic climate of our times, but you can change how you respond to that climate.

It is our sincere hope that the results of this survey provide you the opportunity to take a deeper look at your business development program and identify opportunities for improvement.

Cynthia C. Paul

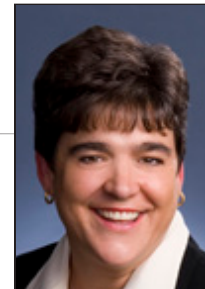
Managing Director

Cynthia Paul is FMI's practice leader for business development. She works with industry firms to position them to capture market share and grow profitably, helps contractors stand out from the competition by discovering their differentiated platform and works in tandem with project teams to create the win strategy and delivers key projects.

With a strong conviction that marketing and business development starts at the top of an organization, she works with company presidents, sales, marketing and business development executives to help create a strategic vision. Cynthia then works one-on-one with companies to ensure that their strategic vision is translated into a competitive advantage in the marketplace and that the full market benefit is achieved.

Cynthia is a highly rated instructor and speaker. Her presentation style and knowledge of the construction industry make her a sought after speaker for industry events across the country for such programs as Construction Selling Skills, Presentation Skills, Competitive Marketing for Contractors, and Managing Key Accounts.

Cynthia holds a bachelor's degree in business administration, with a minor in economics, from Fort Lewis College. She earned her master of business administration degree in finance and marketing from the University of Denver.



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FMI is the largest provider of management consulting, investment banking and research to the engineering and construction industry. We work in all segments of the industry, providing clients with value-added business solutions, including:

- Strategy Development
- Market Research and Business Development
- Leadership and Talent Development
- Project and Process Improvement
- Mergers, Acquisitions and Financial Consulting

Founded by Dr. Emol A. Fails in 1953, FMI has professionals in offices across the U.S. FMI delivers innovative, customized solutions to contractors; construction materials producers; manufacturers and suppliers of building materials and equipment; owners and developers; engineers and architects; utilities; and construction industry trade associations. FMI is an advisor you can count on to build and maintain a successful business, from your leadership to your site managers.

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