

The Construction Value Chain— Matching Your Value Proposition to the Needs of Your Customer

Disclaimer

To avoid any anti-trust concerns, we will not be discussing specific strategies, pricing models, or anything that puts us in jeopardy of regulatory violations.

An integrated work-acquisition approach
leads to enhanced margins.

WORKING IN HARMONY

How do we get work?

PRICE-BASED SELLING

- Low price wins
- Commodity
- Only one strategy—control costs
- Accurate cost understanding a MUST

VALUE-BASED SELLING

- Relationship driven
- Differentiated
- Multiple strategic options for growth
- Business development, marketing, and customer service are critical

Do we want to compete on low price?

Nature of the industry

- Low margin, high risk
- Low barriers to entry
- Irrational or unqualified competitors
- Differing cost structures

But, Walmart does it!

- How?
- Do you want to be Walmart?
- What are the implications of a low-price approach?

Quit competing on low price!

THE DIFFERENTIATED VALUE PROPOSITION

Differentiation *(1 of 2)*

- In business terms, to differentiate means to create a benefit that customers perceive as being of greater value to them than what they can get elsewhere.
- Differentiation is the X-factor in the value equation:

$$\text{Cost} + \text{Differentiation} = \text{Value}$$

- Greater perceived value equals higher price or less competition, or both

Differentiation *(2 of 2)*

- How does your company differentiate itself from the competition?

Building Relationships

- Systematic process of building value for clients from inception to delivery and follow-up so they will keep coming back.
- Requires a conscious and constant fight against forces of atrophy. We must constantly ask:
 - How are we doing?
 - What can we do better?
 - Are we neglecting anything?
- Whose job is it?

What Do Customers Really Want?

Force-rank from 1 (highest) to (lowest)

- _____ On schedule
- _____ On budget
- _____ Good communication
- _____ Personal attention
- _____ No surprises
- _____ Dependability
- _____ Returned phone calls

Building Long-Term Relationships

- Desire to build long-term relationships is expressed in:
 - The way people are treated when finalizing price, payment terms, and conditions of purchase order.
 - The way problems and complaints are resolved.
 - The handling of the telephone and written inquiries.
 - The overall impression of the company's quality services and its people.
 - Attitudes of your employees.

Attitudes Build Customer Loyalty

- A customer is the most important person in this office... in person or by mail.
- A customer is not dependent on us... we are dependent on him/her.
- A customer is not an interruption of our work... he/she is the purpose of it.
- We are not doing the customer a favor by serving him/her... he/she is doing us a favor by giving us the opportunity to do so.
- A customer is not someone to argue or match wits with. Nobody ever won an argument with a customer.
- A customer is a person who brings us his/her wants. It is our job to handle them profitably to him/her and to ourselves.

A poster at L.L. Bean, in Freeport, Maine

Customer Segmentation/Worth

- The late Rosser Reeves of Bates advertising segmented customers as:
 - Endorsers (5%)—will tell others; many new customers start here.
 - Buyers (15%)—continue to buy but no longer endorse; often result of relatively small service failure.
 - Satisfied mutes (30%)—they don't talk to you, and you don't talk to them.
 - Dissatisfied mutes (30%)—no longer satisfied, but you have no way of knowing that!
 - Grumblers (15%)—you can no longer make these customers happy.
 - Complainers (5%)—actively running your business down in the marketplace.
- Every dollar spent managing an existing customer has as much value as \$6 spent chasing new customers.
- If you resolve a problem satisfactorily, customers will continue to buy 75% of the time; if you do so immediately, that jumps to 96%.

Significant Customer Event *(1 of 2)*

- An SCE occurs whenever a customer comes in contact with your company and forms an impression.

Significant Customer Event (2 of 2)

- When we answer the telephone
- When we see a customer in town
- At planning meetings
- When we say hello to a customer
- When we explain what we're doing
- When a customer asks a question
- When we interact with a supplier
- When we communicate in any company meeting
- When we interact with inspectors
- When we send an e-mail
- _____
- _____
- _____

What level of relationships do you want to build?

What level of relationships
are you building?

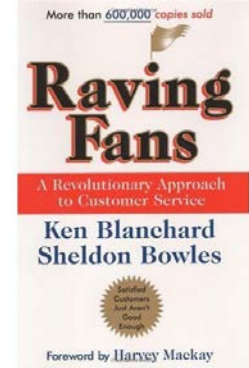
Building Long-Term Client Relationships

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“Raving Fans”

“Just having satisfied customers isn’t good enough anymore. If you really want a booming business, you have to create Raving Fans.”

Raving Fans, by Ken Blanchard and Sheldon Bowles



The Cliché

- We have excellent products.
- We provide great service.
- We have good people.
- We will deliver on time and within the quoted budget.

What is wrong with these statements?

What Is Our Goal?

- To stand out in a unique way to customers.
- To be different in areas customers value enough to pay for.
- To establish your market presence based on core competencies, project competitiveness, and values, NOT project sticker price.

Your Value Proposition: What Are You Selling?

- What is your brand? What are you “selling?”
- What can you say that your very best competitors cannot say?
- Is it what customers value? Different for different people!
- Is it something the customer is willing to pay more for?
- Could you do more of that?
- How could you prove your difference?
- Can your people quickly and effectively describe your value proposition?

Customers (Job or No Job) Yield the Right Focus

- Pursue customers (long view), NOT just projects!
- Customers are comprised of:
 - Decision-makers
 - Influencers (internal to their business)
 - User groups
 - Designers, consultants
 - Subs with superior client relationships
 - “Connected” suppliers
 - Owner reps

Know the Decision Makers and Influencers... and Their Key Issues!

Role	Involvement	Issues
Decision-maker	Makes or approves selection	Strategic; profit; Budget/schedule
Advisor	Advises decision-maker	Best solution; satisfy their personal needs
User	Functional user of facility	Quality; performance
Gatekeeper	Screens; can say "No"	Meet their requirements
Sponsor	Advocate; sells for the firm when you're NOT there	Satisfy his/her needs; Helps you
Blocker	Competitor's Champion	"Anti-X;" will be an "obstacle;" plan to overcome?
External	Serves Decision Maker	A.E.; Others

Multiple Touches for ALL Customer Components

- Creative initiatives and techniques **MUST** be developed and executed
 - Reasons to meet, or just talk?
 - Remember, GIVE to GET!
- Customer “development” activities, **AHEAD** of a response to an RFP or a presentation
 - Key client visits
 - Project site visits
 - Meetings to discuss OWNER areas of concern
 - ADVANCE your targeted relationships
 - Be CREATIVE to get access

Manage the Sales Process Like You Would a Project

Account Name: _____

Name of Decision-Maker Or Influencer	Proactive BD Action ¹												
	Intro Meeting	Home Office Visit	Site Visit	Key Client Visit	Meeting(s) w/ Key Ops Resources	Regional President Meeting	Owner/ CEO Meeting	Dev. Mtgs: Specific to Topics of Interest	Architect/ Engineer Meetings	Client Entertainment Events	Proposal Development Meetings	Proposal Submittal	Formal Presentation

¹For each activity, document objectives, dates accomplished and results. ALWAYS explore for reasons to conduct a NEXT STEP/Proactive BD Action.

Rate your Performance

- Map a customer's experience
- At each step, what is important to them? Where do they have the most difficulty?
- Rate your company's performance at each stage
- Address the "below-standard" items
- If you are not involved, should you be (to good effect)?

Developing the Value Proposition

- Recruit a cross-functional team to critically revisit the value proposition (i.e., Sales, Technical, Operations)
- You have to know or find customer expectations in order to build value
- Needs to keep pace with changing markets and competitive environment—as seen through the customer’s eyes!

The two words that drive differentiation...

SO WHAT?

OR STATED ANOTHER WAY,

WIIFM?

Identifying Hot Buttons

- What are the biggest frustrations you have experienced when selecting a vendor?
- What were the key reasons you decided to hire that company—what made you very confident in your decision?
- What is the best way for us to inform you about new products/services?
- Assuming _____ is achievable, how would that affect your bottom line/operating efficiencies, etc.?

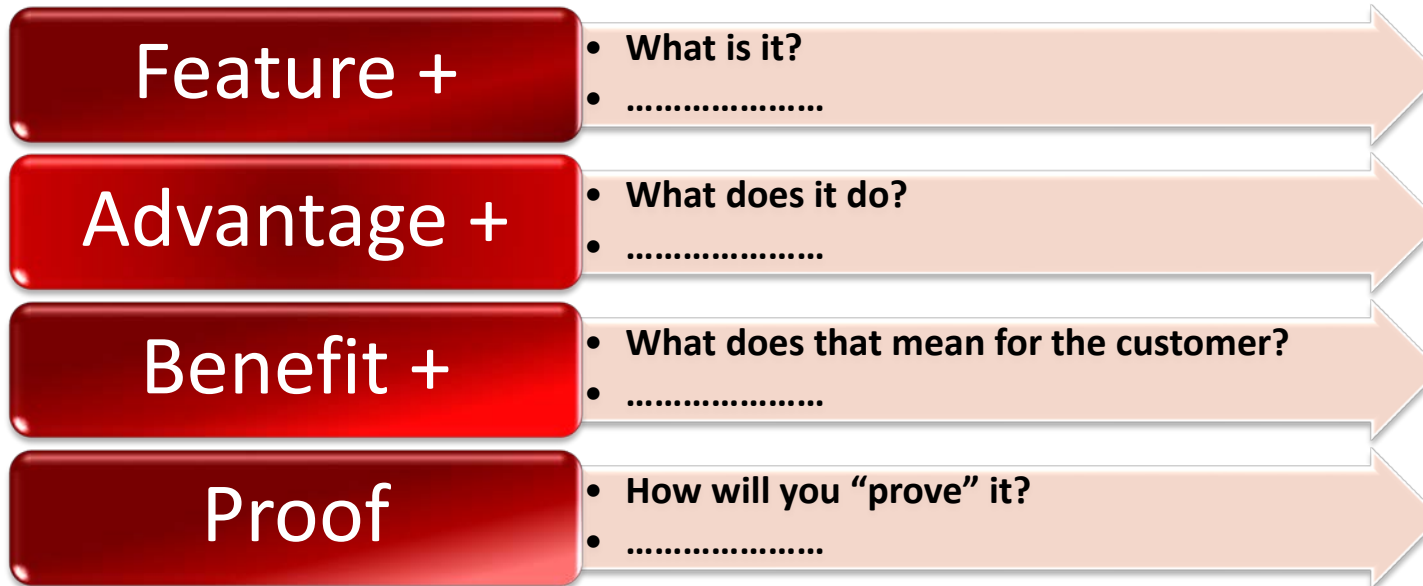
Inferior Value Proposition

- Communicates generalities or platitudes.
- Can be easily interchanged with other providers.
- States something that is of low importance to the buyer.
- Does not solve the customer's specific problem.
- “On time, on budget, meeting the specifications.”—WEAK

Areas to Explore

- Business outcomes
 - Reduce lifecycle cost
 - Increased operating efficiency
 - Better working environment for their people
 - Increase speed to market
- Means and methods
 - Execution—controls, processes, and systems
 - Cost-tracking systems
 - Project approach
- Customer experience
 - Leadership practices
 - Seamless touch points
 - Technology platform
 - Customer satisfaction review
- Intangibles
 - Reputation in the marketplace
 - Relationships/contacts
 - Community involvement
- Proof mechanisms
 - Awards and testimonials
 - Third-party evidence—newspaper articles

Deliver “Solutions” to Create Value*



* Must use all components together to build value!

What Gets Measured Gets Done!

- Commit to keeping score!
- Everything CAN be measured!
- The right measurement “scorecard” includes three to five metrics.

Potential Measures *(1 of 4)*

- Tactic/activity time spent, by targeted market segment.
- Total marketing dollars invested by targeted market segment.
- Time invested on key account development versus gross profit dollars earned on those accounts.
- Business development time expectations and allocations.

Potential Measures *(2 of 4)*

- “Screened” opportunities within a targeted market segment.
- Success/capture rate in a targeted market segment, project size, and type.
- Budget versus Actual variance and profitability in a targeted market segment.
- Actual time spent on proactive business development activities by non-business development resources.

Potential Measures *(3 of 4)*

- New opportunities identified/quarterly, in a targeted market segment.
- New opportunities captured in a targeted market segment.

Potential Measures *(4 of 4)*

- The percent of individuals in the targeted accounts who are “in” your business-development pipeline.
- Time invested in proactive relationship development versus project chasing.

Business Development Time Expectation

	% of Total		
	Budget Objectives	Actual	Variance
Proactive—Finding new customers			
New customer lead generation			
New customer selling			
Major presentations			
SUBTOTAL			
Maintenance—Keeping existing customers			
Maintenance sales calls			
Networking functions			
SUBTOTAL			
Reactive—Project tracking/chasing			
Project investigation			
Initial presentations			
Presentations			
Proposals			
SUBTOTAL			
TOTAL		100%	

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