

Winning Work: Quit Chasing Your Tail and Close More Projects

Creating structure to your sales process helps streamline the time and effort needed to meet new customers and convert them to raving fans.

By Scott Humrickhouse

Construction projects are successful because the project team comes together to define the vision, create a plan and implement it. The industry talks about the importance of pre-job planning and its impact on the success of the project. If planning is so good for projects, why do so few companies truly plan how to target and win the right customers and the right opportunities?

KEY CHALLENGES

Contractors face two challenges related to today's market: the first is the competitive environment; the second is the changing nature of how customers buy contracting work.

Let's start with the difficult conditions in the marketplace. There is too little work being chased by too many contractors. That creates a couple of situations that make business development exponentially more difficult. First is the natural tendency of buyers to buy on price. When there are more contractors than work, the pressure on price-driven awards increases significantly. Contractors needing work cut their prices to beat competitors, pulling the market pricing down with them. With few perceived differences between contractors competing for the

work, customers see the lower-priced solution as an opportunity to get more projects for the money. It is understandable for customers to be attracted to the perceived cost savings, at least in the short run.

The decision to weigh price heavily in the selection criteria exacerbates the challenge for contractors. Customers are not inclined to think about negotiating or about any value added in the process. The information that customers think they need to make a value-based decision is minimal in their mind. Looking closely at the value-added difference between contractors becomes a distraction.

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That mind-set deters gaining access to the decision makers — decision makers are simply not as aware as they need to be about how to select good contractors. When customers make decisions with little depth of consideration beyond price, contractors tend to be pulled into their wake and begin believing themselves that only price matters. This mind-set heightens the challenge to contractors to communicate a tangible difference to price-prone buyers.

Today's market conditions make picking a good contractor easier, since even the best players in the industry are working hard to become more competitive and win a larger share of the work available. The low-price market has been a short-term advantage

for customers. However, the lessons learned from making poor award decisions largely driven by price will soon become more apparent both on the jobsite and as those jobs come to completion.

The second problem is that most business developers do not have a defined process for taking an opportunity, or even a relationship, from ground zero to successfully winning the project. The process too often has fits and starts, filled with inconsistencies. Historically, the mechanism in our industry for client development has been reactive. This reactive approach springs from the design-bid-build (DBB) methodology that shaped much of the history of construction in the U.S. Prospects who are already into the design process contact a contractor. A close alternative delivery method involves design-budget-bid-build (DBBB). Too many sales processes currently have this model as their foundation. The project is well into development before a contractor is contacted. When projects achieve that level of development, it is simply too easy to put it out for competitive bid. Today that often means that 10 to 15, or more, contractors will respond. The low bid is not necessarily the best fit for the customer, nor is it necessarily the lowest cost by the end of the project. Customers focus on the initial price of the work because they are extremely experienced and can help manage the project, or they are a bit naïve,

thinking that all the contractors on the project are equally qualified. Regardless, this environment equates to a very difficult business development situation.

The reactive approach to finding and winning customers in either a DBB or DBBB atmosphere clearly communicates to all that it is the project and not the customer that is the key for the contractor. With true customer focus, the contractor develops the customer long before the project. The contractor is positioned to help frame the approach to the project and help the customer shape the concept as well as execute the project. How can we fault the customer for employing a transactional, project-based selection process, when the reactive, project-based approach taken by the contractor is also to blame for this state of affairs?

An alternative approach proactively identifies the customers who value what you offer, have a long-term building program and focus on the types of projects that you have historically been successful building. Today, even those customers are leaning heavily toward price as a major selection criterion. However, as the market begins to see the results of selecting contractors with alarmingly low prices, and the general economy in construction continues to improve, opportunities will be available to contractors who invest in targeting, educating and winning solid customer relationships.

A quick test for your organization's level of customer focus can be measured by the amount of time that you spend with customers who do not have an immediate project available to bid. If you are customer- or relationship-focused, that should command the most time that you invest in the marketplace. You might think of this as a program to *Build Loyalty*. The first step is to establish the right targeted customers. The second is to create a process for taking the relationship from where it stands today to a higher level where some level of loyalty exists; loyalty of them to you and of you back to them. Traditional business development processes have no steps that focus on building a relationship first. Starting with a budget is just a shortcut to communicating to the customer that the relationship will be short and transactional.

That said, simply having a relationship is not valuable enough for a customer to be loyal to you and your company. You still have to work hard to build value, create competitive barriers and deliver on promises that meet this unique customer's needs. The relationship needs to be genuine. The access provided by a strong personal relationship allows you an inside track to understand the customer's true concerns and hot buttons. The access should provide you with answers as to what it will take to win the work and delight the customer.



CHASING THE WRONG LEADS

Most contractors are spending 80% to 90% of their time chasing projects that they have a very low probability of winning. Sometimes the low probability is because the contractor found out about the project too late; other times the

customers are not going to be responsive to a value-based selection process. The bottom line is that too much of the activity is misdirected. Contractors are spending too much time directing energy at the wrong end-use customer or those that do not fit the contractors' targeted market pursuits. The net result is the contractor is wasting resources on the wrong customers rather than using a consistent and stringent qualification process and targeting the right kind of work. It is spending too much time poorly aimed and generating results that are too low for the effort invested.

Effective contractors are still applying stringent qualification processes to both customers and opportunities, even though the qualifications may have been modified by market conditions. Consequently, those contractors are investing more time on the right opportunities and the right customers. They spend time with the customers where the contractors have been able to influence the decision-making process and communicate value as important elements in the decision process.

What success would you have in winning work if you had more time to spend on the right opportunities? Would it beneficially change your backlog?

KNOWING WHO TO CHASE

Knowing who to chase is as important as knowing how to chase them. Focusing on the right market segments is the first step to knowing whom to chase. Just because a market is expected to grow does not make it a key segment for your company. If you do not have a unique approach or offer something that is different from the competitors, the new market will be nothing more than yet another opportunity to compete to win projects based on the lowest possible price.

The second part of knowing whom to chase is understanding the customers within the market sector. If you focus on the market segment itself, you are obviously concentrating on supply/demand as the key drivers for the marketplace. An example is the number of contractors today looking to win work in the federal sector with the Department of Defense, Corps of Engineers, NAVFAC, General Services Administration, etc. Many contractors who have never worked



in the federal sector are chasing work and now actively bidding work. Where once there were three or four competitors for a potential project, today there can be 20 to 25 or more. In fact, there are so many bidders chasing projects today that it is actually slowing down the process of awarding contracts. Federal procurement teams are forced to wade through a historically high number of proposals. Many federal departments are adding temporary and contract staff to meet the procedural demands driven by the short-term oversupply of interested contractors. The result is that federal contracts, which one time provided an

opportunity for a fair price for a fair project, are seeing estimates come in well below engineering estimates. The federal market is yet one more market segment tipping toward rock-bottom prices.

Some federal clients still focus on factors other than price. They still make value-based decisions about quality. Much of the process depends on how they make value-based decisions, how they weight selection criteria, and the approach/background of the proposing contractors. Deciding which market to chase is the first decision to increase the amount of backlog you are winning. The key is focusing on market selection factors that enable successful projects for you, not simply focusing on what is the biggest market segment. Focus where you have the chance of winning a project that you can be successful building. Start with the end in mind and you will see your results soar.

Once you decide on a sector, what is inside the sector? For example, you determine you are not doing well at winning private work, so you want to get into the public work market. If you do, obviously chasing this market requires resources and expertise to be successful. Too many contractors try to penetrate a market when they do not have the experience to be successful. The experience enables you to build the project successfully, certainly. But experience also helps you win the work. If you do not have a team with deep experience in a new market, the chance of winning work drops dramatically. You need to approach the market knowing that you will be bidding more work to be able to win a single project, until you have built your experience credentials that underscore your ability to bring value beyond low price to the project.

Customers have the choice of working with the biggest and best contractors in their area. Why would they pick a newcomer with little or no direct experience in building the work? The only answer that comes to mind is price. To win work in that scenario, you might find that you are bidding at margins the experienced contractors are not willing to match. Can you afford to pay these dues?

Finding customers is not easy, but it is very doable. Define what criteria make for the most successful customers for your organization. The answer requires a lot of combat research and an understanding of where you have been successful with customers in the past. You will have to do a lot of phone work and database searching to try to find the names of targets by sector.

Once you find the company, then your time and effort must focus on calling the right people on the inside. Finding the right sectors is easy; finding the right customers within the sectors is more challenging. That is when more calls need to be made. Few contractors do an effective job at researching, qualifying

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and prioritizing customers. Most contractors do not have the resources to conduct the research, so they throw it on top of business development's pile or they expect somebody else to do it. However, if you are diligent at finding the right customers, it will give you an advantage over other contractors looking to break into the market.

FINDING THE RIGHT CUSTOMERS AND BUILDING ON FACTS

Building on facts means using some direct, but mostly indirect, methods of research. It means contractors need to establish mechanisms that can track current and future potential work. For example, consider maintenance in the food processing market. You need to know the engineers who service that sector directly, the key customers and competitors. You need to know what the players in that sector are thinking, what market trends are affecting the markets and how

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customers' buying practices are changing. Some information can be gathered by direct mail, e-mail and Internet research. But, at the end of the day, you will need to talk to somebody directly on the phone or face-to-face to find out the information you need to break into the market and the customer contact information.

SOURCES AND TOOLS

Architects and engineers who specialize in providing services in the market segment need to be part of your plan. They should have already been interfacing or communicating with some of the key market resources.

In the power sector, for example,

targeting equipment and big system suppliers can help you gain interaction directly with the utility companies. They are probably going to know more about the market and the construction players involved than the contractor does. Simply waiting for this information to materialize is a poor strategy for winning work against tough competition. You need to be proactive and get out in front of your competition in information gathering in order to win work in today's market.

Every market sector has suppliers. In most cases, they have salespeople who are out there that are pushing their products. Use these existing market resources to help you leverage your research efforts. Integrate with design firms to better leverage your efforts. They know the market in terms of what is out there, challenges being experienced and likely future trends.

HOW YOU CAPTURE AND STORE INFORMATION

Every company needs a place to capture the results from the research and canvassing effort. The most successful tools tend to be simple methods: spreadsheets, databases, etc. Good decisions are difficult to make based on the mountain of information you will be amassing on a particular market sector.

You do need some mechanism to compile the information, sort it and make some informed decisions about your next course of action. Making those decisions is not something that can be done by a coordinator or a marketing person; it is a process that must involve senior managers.

TARGETING CRITERIA

What is the most successful targeting criteria? The real answer is found in your internal track record on projects and the associated facts about the project and customer.

Funding and planned spending is one of the biggest associated facts. The type of construction services is another one. In other words, does the customer have a history of a CMGMP delivery model? You need to find out if it usually works with a group of contractors or a single contractor representative, if that is a driver in your targeting criteria. Look into how it views terms and conditions in the contract. Does the customer strictly interpret letters of the law or is it looser with the contractor, wanting the contractor to make money?

Find out about its relationships with specific competitors. There are probably three or four other facts that will be obvious when you do an internal analysis. If you are not doing the research ahead of time and finding out more about breaking opportunities, you are just reacting to bid opportunities that come up on websites or through various news agencies. If the opportunity is old news, it probably will require a reactive, low-price response.

PUTTING THE RIGHT TIME TO THE RIGHT OPPORTUNITY

You need to have a realistic way to determine how much time and effort it is going to take to win work. You need to know what level of investment you can afford to commit. Think about the gross margin return on your efforts at some point. There are contractors that do a lot of budgeting for potential customers and

do not get any return. At a minimum, get some additional dialogue that will help you get the inside track for the next opportunity. If you are not getting that, you are simply a free budgeting service, and the return on your invested time is poor at best.

Quantify the investment that you are making. Consider the costs of business development, estimating, senior management time, etc. If you have the investment quantified, you can make better decisions. If you quantify the costs, you have another opportunity to step back and say, "OK, here's what the cost of pursuits is, what's my potential gross margin return and how many people are involved?" You must look at the numerator and the

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denominator. Use the cost to chase at the bottom and gross margin potential at the top. Think about the time, out-of-pocket costs and soft costs.

The senior management team needs to develop a fairly rigorous definition of what a good opportunity and what a good customer look like. What does a marginal customer look like, and what does a bad customer look like? It may be just as important to define what you do not want. It is almost easier to define what you do not want in today's market than what makes a good customer, because many of us are doing business with customers that used to be good but are now marginal customers.

You have to commit the time to do the analysis and set up the criteria. Define what you will absolutely say no to regardless: customer or opportunity. That could be on the lines of payment terms, interpretation of contracts, prior dealings with contractors, etc. There are probably eight or 10 questions to ask about a given customer before you say, "Yes. Let's go for it." (see Exhibit 1). Most of the responses to these questions are not dead ends or will not shut down the process.

A structured approach to Go/No-go decisions is a process exploration and means of finding out what could work.

Exhibit 1

Questions to Ask Customers

Potential Open-Ended Questions

- What is the current status of your project?
- Who are the end users/customers and what are their needs?
- Describe your expectations for the GC managing the total project budget.
- Why is this project important to you?
- How can the contractor best serve your needs?
- What do you know about our firm?
- Tell us more about your organization/culture.
- What is your history with the company?
- How did you get involved in the project?
- What issues are important to your business?
- What kinds of issues are important to you?
- What would make you successful?
- What do you like about how you are using existing buildings now?
- What would you like to change?
- What do you look for in a contractor?
- What are the key customer issues and concerns that we should address?

Potential Closed-Ended Questions

- Were you happy with your last contractor?
- Was your last project successful?
- Have you done a similar facility in the past?
- Are you happy with your existing facility?
- Where is the project located?
- What are your top-five project expectations?
- What are your specific services desired?
- What is the budget?
- Who at city planning is aware of the project?
- Do you have any building standards?
- Are you aware of any off-site improvements?
- How much parking - covered?
- Are the utilities available?
- Who is the design team?
- What primary criteria do you use to select your architect?

BREAKING INTO AND NAVIGATING TARGETED ACCOUNTS

Targeting potential customers has obvious challenges. It is also challenging to pick the right person to target. Typically, there are a number of people or roles to target to help build a relationship with a client organization. There is a group of decision makers that provides you with the ultimately decision or final approval on a project. They are interested in the project strategically for what it means to them from a business standpoint and a return on their investment.

There are also gatekeepers who provide access to advisors, user



group individuals or final decision makers. Your objective is to ensure the gatekeeper does not create an obstacle to gaining access to the other contacts.

The ultimate goal with navigating accounts is to create a sponsor, who is really an internal advocate that helps you understand and navigate the internal landscape. When you are competing for a project, the sponsor is your source inside that business. It is a person who interacts with decision makers, advisors and users. Contractors

rely on their sponsors to help neutralize, or sometimes minimize, the competition.

Sponsors are essential and it is an area that requires many activities to try to advance their trust, professional respect and capabilities. Sponsors can help you to identify blockers, people who are actively out to affect you negatively. Sometimes it is because the blockers have preferred contractors of their own. Sometimes it is because they do not know much about your organization, are relying on outdated information or have had a bad experience along the way. Regardless, it is important to convert blockers to supporters or, at the very least, minimize their negative impact.

FOUR CALL OUTCOMES

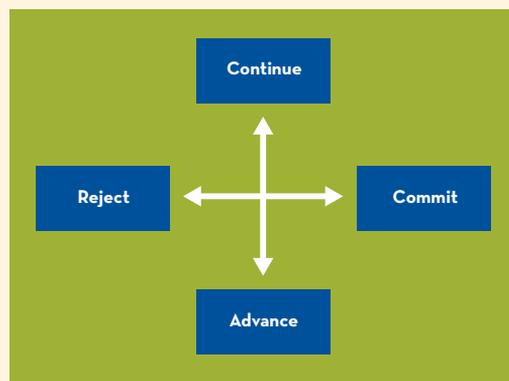
Calls with customers will result in one of four basic outcomes, which are reject, continue, advance and commit (see Exhibit 2). The better you plan for each of these alternative results, the better you will be at keeping the sales process moving forward and get your company in a position to be selected for a project.

Reject is what happens when a customer says no or thwarts your approach. It is not the end of the conversation, but it does mean that a different tactic is needed to continue to develop the relationship. Reject could occur with an individual or a group of people with a key decision maker. Continue is the key step in the

process, the only way to advance to the next point of the sales cycle. It might come from a contact inside that organization who points you to someone else, the key decision maker. But if you do want to reach Continue with most clients, then you have to step back and think about ways to continue with other people who

Exhibit 2

Four Call Outcomes: Potential Call Outcomes



ultimately will influence the decision maker and drive the opportunity toward your company. That is the best chance for getting some work down the road. The Continue process refers to the part where you convey information of value to a group of people. However, this group does not make a final decision, and more work is needed to bring the dialogue and the selection process to its end.

If you are advancing the opportunity, that means that whomever you are talking to has bought into the discussion, the people and information you need, whether it is the fact that you have a superior means of scheduling or you have some cost alternatives that are worthwhile investigating. It usually indicates that the customer is willing to invest time to learn more about you, your approach and business. The customers are willing come to the discussion, so you have established a relationship with them and they have learned something about you. Commitment is when you have somebody who is far enough down the curve to make a favorable decision for your company. Maybe there is still more commitment needed from

other people, but at least you have that person on your side. Those are typically the four outcomes of not just a single call but a series of calls or meetings.

Exhibit 3

Keep-In-Touch Strategies

Relationship Tactics – Keep-In-Touch Strategies (i.e., job walks, home office visits, etc.)

- Face-to-face meetings
- Job walks
- Home office visits
- Project site visits – related projects
- Key customer visits
- Owner meetings
- Calling references
- Pre-construction services
- Status update meetings
- Breakfast, lunch or dinner
- Meeting with operational team
- Architectural meetings
- Client Outings
- RFP development meeting
- Presentations
- Logo items
- Phone call to touch base
- Mail technical information or updates
- Share a lead or business tip

BUSINESS INVOLVEMENT/ ACTIVITY MATRIX

The idea behind the business involvement/activity matrix is to develop as many reasons and opportunities for you to communicate with all the targeted people in the account. Any type of business that has multiple contacts, whether it is maintenance facilities, administrative, strategic user groups, etc., is an account. You need to have a system that allows you to check off how you advanced your calls with each of those decision makers or influencers.

The game is to try to sell them on advancing their knowledge about your

organization through a variety of steps in the business development process (see Exhibit 3). All these steps are things that should be done with targeted customers, and in many cases regardless of whether the project is to be built or proposed, in the industry. So one of the steps might be for a targeted account to take two or three hours out of its day and visit one of your job sites. The objective is to see the job with a predetermined agenda, or game plan, and talk with the superintendent and the project manager. Because the prospect's representative made that investment and it is not you trying to sell him or her on something, it is a good opportunity for you to advance the relationship and position the quality of your work. Job site visits are at the top of the list of ways of advancing knowledge about your organization.

CONCLUSION

Creating structure to your sales process helps streamline the time and effort needed to meet new customers and convert them to raving fans. Systems allow us to refine and hone our approach into a high-impact, effective process that generates better results year over year.

Sales process does not have to be a cookie-cutter approach to benefit from standardization and structure. It simply adds structure to the process, allowing for creativity of approach while remaining highly responsive to unique customer needs.

Add advance planning and deep thought to your sales process and you find more time available for face time with the customers, to create unique approaches to win work and increase your likelihood of being selected over the other contractors in the race for the project. ■

Scott Humrickhouse is a principal with FMI Corporation. He may be reached at 919.785.9287 or via e-mail at shumrickhouse@fminet.com.