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# SUCCESSFUL MARKETING AND BUSINESS DEVELOPMENT STRATEGIES FOR HVAC AND SHEET METAL CONTRACTORS

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*The interest for this white paper is driven by the necessity of many contractors to understand and explore work acquisition through alternative approaches other than the traditional bidding process. The identification of the company's strengths and core values serves as the foundation for the development of an effective business development program. This project addresses one of the most critical issues for the sheet metal and HVAC industry and its ability to acquire profitable work. The paper describes the importance of marketing and business development and describes the main components for building and implementing a successful marketing/business development plan. Additionally, detailed forms for working through the strategic planning process are provided in the Business Development Market Planning Guide (Market Planning Guide) workbook that accompanies this paper.*

## EXECUTIVE SUMMARY

It is the goal of this brief white paper to help HVAC and sheet metal contractors use marketing and business development more strategically and give an approach for how to create the plan, implement it, measure the results and, ultimately, create a long-term plan to build customer relationships and backlogs.

It is difficult for many HVAC and sheet metal contractors to move away from the plan-and-spec, low-bid approach to selling work. Actually, some contractors are very good at winning low-bid work. Other companies have discovered they can find more profitable work by selling on value and finding niche business (e.g., service, IAQ, testing and balancing) where they can differentiate their services from the competition. Many companies participate in both low-bid work and value-based contracts. Everyone can benefit from market planning and business development.

While the planning and implementation efforts we cover below may at first look daunting to some smaller companies or those that haven't really taken the time to make a formal marketing plan, *the action steps we cover are scalable*. Large companies may have markets that cover multiple states, dozens of services and hundreds of customers and potential customers. Clearly, such companies will need much more research and detail in their plans.

If your market is just the surrounding counties or a metropolitan area, the process is shorter and may only involve the input of a few of your company leaders or outside advisors. Thinking strategically about developing your customers and marketing your services is important to both large and small firms. For small firms looking to be more successful and eventually grow, the practices described in this paper should be just as helpful as for the largest firms in the market.

Although we often use the phrase "marketing and business development" as one thing, there are some important differences in the terms: The distinguishing factor among sales, marketing and business development is focused on the time horizon or the expectation of results:

- Sales should meet this year's goals
- Marketing should help sales meet the goals this year and next year
- Business development: a long-term function that goes beyond immediate survival needs to assure that the company will grow and thrive in the future

Marketing and business development is a process. It is not an occasional act of making a sales call or creating an advertisement or a website. What we present below is primarily a description of the elements of the process, not the detail of the

process itself. We don't try to teach how to make an advertisement or suggest which market you should be in, but we do describe the key elements of producing a successful marketing/business development plan:

- Creating a business development strategy
- Developing the marketing strategy
- Offering modern marketing techniques for small HVAC/sheet metal contractors
- Presenting differentiation strategies to consider
- Targeting customers
- Creating your value proposition
- Implementing the marketing strategy
- Evaluating your marketing effectiveness

In the *Business Development Market Planning Guide (Market Planning Guide)* workbook that accompanies this paper, we provide the detailed steps in the market planning process. The guide will help you make important strategic decisions as to how you go to market and effectively locate and match your customers to your services and desired goals for your company.

As discussed in more detail below, the benefit of a marketing/business development plan is to make the phone ring and bring profitable work in the door. That is not a plan; that is a goal. There are a significant number of reasons for your business to rethink future marketing and business development efforts. Some critical ones include:

- Evaluate the return on your investment for previous marketing initiatives and tools.
- Realign your investment to achieve better returns on your targeted markets.
- Ensure the customers you want align with the company's key desired criteria.

- Identify potential new customers and look for markets for your company to serve.
- Define the right tools to maximize early exposure to these high-priority targets.
- Develop and communicate how your solutions differentiate your business from the sea of competitors that are pursuing the same customers.
- Assess and determine potential strategies and specific actions that will generate more selling options for you to pursue.

## INTRODUCTION

In the late 1800s when John Wannamaker, founder of Wannamaker's Department Store, circa 1875, made the observation that, "Half the money I spend on advertising is wasted; the trouble is I don't know which half," modern advertising was in its infancy. Wannamaker was an innovator who gave us not only modern advertising but also the American department store chain, price tags, employee benefits and many other ideas that have entered the fabric of our consumer culture.

If Wannamaker's observation still holds true today and can extend to all the money spent on getting work, construction industry contractors could be wasting around \$1.25 million on every \$100 million in revenue. According to FMI's research, contractors typically spend 2.5% of annual revenue on targeting and winning work. This begs the question, what portion of the investment that you are making to win work is wasted.

While Wannamaker was one of the earlier innovators in modern advertising, what we today call marketing and business development is much broader and strategic than those early pioneers. However, many companies still do not take full advantage of the powers of marketing and business development. There are many reasons that

construction companies do not make marketing and business development a key factor in their strategic “get-work” process: The company doesn’t feel it needs it, especially when it is busy. It can be a costly investment, no matter the size of the company. The company does not have anyone onboard dedicated to the marketing effort. A salesperson or two are thought of as all that is needed to beat the bushes and get work. Even those companies with more sophisticated marketing and business development departments struggle to justify the costs or focus the efforts of this group in the most effective manner.

It is the goal of this brief white paper to help HVAC and sheet metal contractors use marketing and business development more strategically and give an approach for how to create the plan, implement it, measure the results and, ultimately, create a long-term plan to build customer relationships and backlogs.

Although we often use the phrase “marketing and business development” as one thing, there are some important differences in the terms: The distinguishing factor among sales, marketing and business development is focused on the time horizon or the expectation of results:

- Sales should meet this year’s goals
- Marketing should help sales meet the goals this year and next year
- Business development: a long-term function that goes beyond immediate survival needs to assure that the company will grow and thrive in the future

It is also difficult for many HVAC and sheet metal contractors to move away from the plan-and-spec, low-bid approach to selling work. Actually, some contractors are very good at winning low-bid work. Other companies have discovered that they can find more profitable work by selling on value and finding niche business (e.g., service, IAQ, testing

and balancing) where they can differentiate their services from the competition. Many companies participate in both low-bid work and value-based contracts. All can benefit from market planning and business development.

Back to Wannamaker’s problem, how do you know if you are spending too much or too little on your business development efforts? Spending too much eats into margins for projects you win, while not ensuring that you win more of the projects you bid. Spending too little leads to engagement so late in the selection process that it feels like the only selection criterion customers use is price. Customer feedback only exacerbates that feeling. When challenged to provide a reason for not picking a contractor, it is too easy for a customer to claim, “Your price was too high,” rather than getting into the specifics of how you could have better shaped the opportunity. Of course, price has an impact and universally will be one of the customer’s top criteria. As a result, every company must price competitively. The challenge comes from finding areas in which to add unique value in your approach that makes price simply one of the selection criteria used, but not the only one.

## THE MARKETING PROCESS

Marketing and business development are both processes, not occasional acts of making a sales call or creating an advertisement or a website. We see hundreds of advertisements and promotions every day and ignore, or try to ignore most of them, but think for a moment what the advertisements are doing. Why are they placed where they are--on buses, websites, in email, magazines, on pens and in a thousand other spaces? In most cases, unless the service or product is something we are personally interested in, the messages just flash by in seconds. However, there is a good deal of intentional research and planning behind these promotions. If you like fishing in the great outdoors and recently looked at campers or fishing

gear online, you will soon find advertisements for fishing rods and campers when you visit other websites. Internet advertising can be made to follow you with ads for things you are interested in. Companies plan and design marketing to fit your demographic. In a sense, they know you and know what you want.

Fishing rods and campers are a long way from promoting your HVAC and sheet metal services, but much of the process of identifying the customers you want to work with, the geographic area you serve, and the services and products you provide is the same for all products and services on different scales. What we present below is primarily a description of the elements of the process, not the detail of the process itself. We don't try to teach how to make an advertisement or suggest which market you should be in, but we do describe the key elements of producing a successful marketing/business development plan:

- Creating a business development strategy
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- Implementing the marketing strategy
- Evaluating your marketing effectiveness

In the *Market Planning Guide* we provide the detailed steps in the market planning process. The guide will help you make important strategic decisions as to how you go to market and effectively locate and match your customers to your services and desired goals for your company.

The steps followed in the guide should be done each year, although once you have gone through it the first time, it will be more familiar. Nonetheless, it is the basis for an ongoing process to be implemented and measured to track its success. Once you have set the marketing process in motion, you may wonder why you haven't done it earlier. And for those who already have been practicing modern marketing processes, we hope that this paper will help you formalize your plan and come up with some new ideas.

## BENEFITS OF A MARKETING/ BUSINESS DEVELOPMENT PLAN

In brief, the benefit of a marketing/business development plan is to make the phone ring and bring profitable work in the door. That is not a plan; that is a goal. There are a significant number of reasons for your business to rethink future marketing and business development efforts. Some critical ones include:

- Evaluate the return on your investment for previous marketing initiatives and tools.
- Realign your investment to achieve better returns on your targeted markets.
- Ensure the customers you want align with the company's key desired criteria.
- Identify potential new customers and look for markets for your company to serve.
- Define the right tools to maximize early exposure to these high-priority targets.
- Develop and communicate how your solutions differentiate your business from the sea of competitors that are pursuing the same customers.

- Assess and determine potential strategies and specific actions that will generate more selling options for you to pursue.

The construction industry as a whole and the sheet metal and HVAC industry in particular have long been recognized as cyclical markets. On a national scale, those ups and downs are not that unusual and follow the overall economy. However, on a local scale, or more importantly, for your company, those swings can often be the next big job or two. Backlogs can vary significantly with a sense of unpredictability. Marketing and business development cannot completely solve these concerns, but a good marketing plan, well implemented, can certainly help. Even during the Great Recession, there were a few companies who fared much better than the industry average. From our experience, few of these companies were just lucky. They used forecasting and planning long before the markets fell, and they were prepared. The guidelines we offer in this report do not constitute an emergency kit to be pulled out the next time a recession hits. Market planning and business development are ongoing processes like accounting, estimating and project delivery.

As an HVAC/sheet metal contractor, you wouldn't start a complicated task like setting a heavy HVAC unit on top of a tall building without detailed drawings and a careful plan to accomplish the task safely and efficiently. Contractors are experienced in taking on such risks, but what about the plans to run your business? Having the capabilities and experience to accomplish complex tasks or even routine tasks effectively is not enough when it comes to convincing customers to hire you. First, they have to know you exist and have those capabilities. Sounds simplistic, but too many contractors assume that the customer will find them as easily as looking in the old Yellow Pages under Certified HVAC/sheet metal contractors. Secondly, even if that simplistic scenario worked, your company is listed along with a dozen others.

What differentiates one from the other? Planning and market research make it easier to know your customers and potential markets and the best ways to get their attention when they need your services.

A marketing/business development plan provides a map for where the company is going and details how to get there from here not unlike shop drawings and work plans. So why don't more HVAC/sheet metal contractors have such plans? Likely, the main reason, particularly for smaller to midsize companies, is that the leadership is most knowledgeable about and focused on the technical side of the business and getting the job done. That is important, of course, but what happens when backlogs dry up? You need a plan to get work and keep work coming in.

A marketing/business development plan includes a strategy to create a brand and to increase brand recognition to differentiate your company from competitors. A brand, in a service business like the HVAC industry, is nothing more and nothing less than your reputation. Saying you do not need a brand is about the same as not needing a good reputation. If your brand or your reputation is fuzzy or lifeless, expect your future to be much like the past several years—very competitive with too many contractors racing to compete on price. Brands accelerate the customer's perception that you are worth more than the competition. When there is an oversupply of contractors to pick from, branding and market positioning can be the thing that sets you apart from the pack.

Your brand will typically not guarantee you a couple of points on your selling price, but it can be the basis for giving the customer a business excuse to either give you a second look or engage you in a conversation about the job. If you provide pretty much what every other good sheet metal/HVAC contractor does on a project, your brand is not going to be your redeeming quality. To stand out, brands need to be distinctive and resonate with the customer.

While the planning and implementation efforts we cover below may at first look daunting to some smaller companies or those who haven't really taken the time to make a formal marketing plan, the action steps we cover are scalable. Large companies may have markets that cover multiple states and

dozens of services. Clearly, such companies will need much more research and detail in their plans. If your market is just the surrounding counties or a metropolitan area, the process is likely shorter and may only involve the input of a few of your company leaders or outside advisors.

## Who Needs Marketing and Business Development? Not This Company

*How is business? "Right now business is improving. That's mostly for government work. Private work is still difficult unless it is in our service division." The comment is not unlike others we have heard in our research for this paper as well as in other FMI surveys and forecasts. In this case, the comment is from the owner/president of a sheet metal contractor that also offers several other services in a major metropolitan area. The company is on track to generate up to \$20 million in revenue this year, and the number of employees is up. When asked how much of the increased business was due to marketing, this executive replied, "Some of the increased business is due to a better economy, only because the nonunion companies are getting loaded up, and that is starting to drive up some of our numbers."*

*The fact is that the company doesn't really do much marketing, at least not the formal sort of marketing we describe in this paper. It does not have a formal, written marketing plan, but that does not mean it is all hit or miss either. "It's all in my head." Nonetheless, there is a sign that he does have a plan for the company and does look at new ideas to increase business. For instance, the company is currently taking steps to break into a new area of work. The owner has an idea of what they must do to win the work, and he is putting that idea into action. It is clear that*

*this business is opportunistic and the owner understands his market.*

*Like many HVAC and sheet metal companies in this size range and smaller, the top executive knows the business well. He gets out and talks with people. The market served is a well-defined industry, and customers and potential customers are well-known. However, the company pursues both competitive bidding and negotiated, prequalified work. The owner would prefer more negotiated work. So what about using marketing tools to support the company's goals? Like many companies in the industry, the company depends on word of mouth and a great reputation as key marketing tools. The company does have a website, but he thinks of it more as the need to have a presence on the Internet to provide general company information, capabilities, services, people and contact information than as a marketing tool.*

*Sound familiar? Many smaller companies and some midsize companies in the HVAC and sheet metal sector follow this approach to keeping busy. The marketing plan does exist, but it is in the head of one person who happens to have a knack for finding work and new markets. In brief, it works. Could it work better? This company also had tough times in the recession, and the president is aware that he needs to find new areas or services to work in that might help smooth out the cycles. The rudiments of more formal marketing are there, though not down on*

*paper. This will work, does work, for successful companies, but not all company presidents have the skills for marketing in this fashion. This approach can also present problems to the next generation of leadership not aware of how the president is thinking, or who may need to focus*

*more on management of a growing company. Who needs marketing? There is an old saying in the sales business that goes something like, "Show me a man who doesn't believe in advertising his business, and I will show you a man who will advertise his business for sale when he closes shop."*

## STRATEGY OF BUSINESS DEVELOPMENT

Strategy is the place to start when evaluating where contractors are wasting or winning with their business development investment. Strategy answers the questions of "how" to win work and what work to pursue. Good business development is the strategic alignment of resources required to win the work that achieves the vision of the firm. The company sets its vision through strategic and business planning. It is business development's role to make sure that sufficient projects are won with the right customers, on the right projects and in the right markets so that the firm's vision is realized.

Business development is the get-work function for the firm. It is the combination of all of the firm's efforts to identify and win customers. It includes doing what it takes to win both first-time projects for new customers to repeat projects with long-established and cherished key customers. No longer is business development simply a part-time person or department of people down the hall whose job it is to seek out future opportunities.

Today, business development includes everyone in the company whose work affects the customer.

Business development should identify the slice of the market you want to own. It develops the reason the customers in that segment should pick you and communicates those reasons effectively to

the marketplace. Effective strategy must identify the skills, knowledge, processes and tools that your team will need to be successful and then align the rewards, feedback and resources to make sure the strategy is implemented successfully.

**Business development** is comprised of three key elements: marketing, sales and customer service. Marketing is the image side of the business. It is what you communicate to influence what customers and potential customers think about the firm when driving past job sites around town to when customers are working with you on projects. Though marketing is often misunderstood, it has two priorities: keeping in touch with existing customers and communicating your value to future prospects that may buy on some criteria other than price. Too often, marketing functions are viewed as working on proposals and making collateral items look professional. While proposals and collateral are important elements, marketing needs to align with the strategy for the company if it is going to be able to drive tangible, measurable results.

**Marketing** creates the first half of your company's brand, while customer service delivers the second half. The second element of business development, sales, is frequently the most visible portion of the business development mix. A sale involves targeting the right customers and the best opportunities. It is creating a compelling reason to select you over the competition, which means providing the customer a credible business reason to choose you and your team.

To be effective at selling your company and its approach, you must have a deep understanding of what your competitors offer and how customers would like to receive something different. These differences create opportunities for your firm to add unique value on a project that will lead a customer to select your firm for reasons other than price alone. The challenge with creating a selling approach that differs from competitors is that customers know your competitors through firsthand experience, while you are looking out on the competitive landscape through the lens of your own firm's experience, whether you are a residential contractor, testing and balancing specialist, sheet metal firm or service firm.

**Customer service**, the third piece of the business development mix, is the process of delivering on promises made in marketing and selling efforts. It is the best way to ensure that the customer picks you for the next project. As the second half of the brand, customer service is about being consistent and delivering value to the customer.

For a service business, a brand is nothing more than the promises you make to the marketplace that you fulfill. It is customer service that wins you the second, third, fourth and even 12th project with the same customer.

It is important to note that customer service extends from the top of the company to your field technicians and installers; in other words, everyone in the company has a role to play in customer service and marketing. Especially in service work, your field employees may be the only representatives of your company a customer ever meets. That means they should also be aware of your marketing goals and part of your implementation plans, at least to the extent they understand why their role in the process is important. When you see your plans working in the field and get field people involved, you will know that your plans are working. There may also be a bonus result to getting field personnel in on the plan—improving morale and productivity.

### Modern Marketing Techniques for Small HVAC Contractors

*Producing and implementing a formal marketing plan and using modern marketing tools are not restricted to larger companies in the industry. One HVAC contractor who does about \$5 million in revenue a year working in small commercial and residential markets is getting a handle on market planning and using new media to move the marketing needle in a positive direction.*

*Like most contractors we speak with these days, the president of this company reports that business is good. He attributes most of the increased business to an improving economy; however,*

*he is sure that the company's marketing efforts are helping. Historically, it has been mainly a subcontractor working for lower margins in a price-driven market where relationships don't mean much. However, lately, the company has been focusing more efforts on owners, building relationships and selling on value. The company does have a formal marketing plan, but it is still working on how to measure results of marketing other than judging by sales levels. Nonetheless, the company formally reviews what is working and what is not working for marketing as well as for projects. It can tell that prospects have been "shopping" before they call, i.e., looking at the company website, YouTube, reviews, etc., online. The president says that 75% of the*

*company marketing effort is accomplished online these days, while the other 25% is made up of attending social events, direct mail and direct meetings with owners—homeowners, property owners and tenants. Its marketing efforts are NOT the Yellow Pages anymore. That's old-school.*

*So what does the company do now compared to in earlier days? It has historically been focused on markets, knowing the customers and knowing its strong points for serving customers. Now it has broadened that focus to include analyzing where its profits come from, looking at different market demographics and becoming more focused on the markets in which it chooses to compete. It is also more consciously thinking about differentiation from other competitors in the market.*

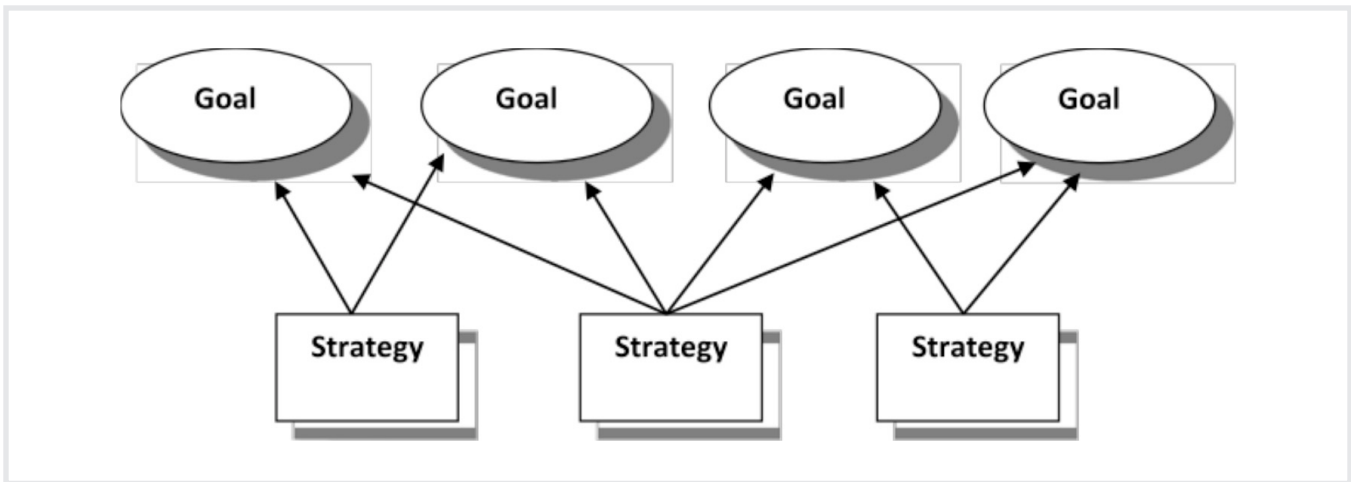
*It is creating its brand as a company that strives to satisfy the customer throughout the process, not just at the beginning or end of the project. It wants to keep improving and keep impressing. The company president reports that the company is also tapping into the tech savvy of its younger workers. It recently set up a GoPro video camera on top of a crane to film a big HVAC equipment installation. Everyone in the company was thrilled to see the video, and it helped give the field managers greater recognition for the work they do. Part of their internal marketing plan is to get the field more involved in the business of marketing. The video went viral, and the company next plans to use drone photography to film a job.*

## PLANNING GOALS AND STRATEGIES

One of the more difficult aspects of strategy is the many misunderstandings about exactly what strategy is and what it is not. FMI's definition of strategy is "the decisions you make about what you (collectively) envision for your company over the long term and, therefore, about where you will invest resources (time, treasure, talent) and how you will reap return on those investments." Elements of strategy include where the firm will compete (geographies, segments, owners, etc.) and how the company will compete (services, scopes, differentiators, etc.). Strategy may also include intrinsic goals that are value-based and do not deliver specific economic results.

*We have prepared a Market Planning Guide that accompanies this paper. The Market Planning Guide provides more detailed steps for planning as well as detailed explanations of how to work through the process.*

Strategy exists on the macro level of the organizational mission and direction as well as on the micro level of goal accomplishment. Since strategies to support goals are the essence of strategic and business development plans, that is where most strategy evaluation tends to be focused. However, with the above criteria in mind, recognize that fewer are better when it comes to strategy selection. In fact, good business development plans often tend to have interlocking strategies (*see next page*), whereby a given strategy might support multiple goals.



## DIFFERENTIATION STRATEGIES TO CONSIDER

To compete successfully in a value-based selection, contractors need to establish their unique selling points (USPs) and differentiate their services from the competition. Having excellent products and services, employing good people and delivering on time and on budget is really just the ante to get into the game these days. Customers expect those things when they hire a contractor. Why would any customer expect anything less? However, that leaves the question: What is it that the customer expects? What can you do to win the work and “wow” the customer? How do you create the message that differentiates your firm and take it to market?

A strategy answers the question of how the company’s vision for the future will be achieved. There may be a number of different strategies covering different areas of the business and different markets. There may be a strategy to drive unnecessary cost from the system by improving field productivity. Another strategy might address the creation of new delivery techniques that shorten the construction schedule. Too many strategies can be confusing; therefore, it is important to consider how strategies work together to support the company’s vision and plan strategic resources accordingly. (See the *Market Planning*

*Guide “Strategy Versus Tactics/Action Plans” section for a definition of the differences between strategy, tactics and actions.)*

Differentiation is the essence of competition:

- Providing something different
- Providing it better than your competitors

There is no such thing as a commodity. *All services can be differentiated.* Companies that fail to differentiate their services will lose on price.

### Types of Differentiation

- Customer relationships
- Experience of operations building teams
- Services (e.g.: in-house engineering)
- Communication
- Brand image
- Speed of delivery
- Execution of BD processes
- Community involvement
- Service after project completion

- Safety
- Warranty service/guarantee
- Price or fee
- Certifications

Differentiation defines your brand; consistency of performance and message builds your brand. Creating a marketing/business development strategy based on the characteristics that define your unique brand helps to raise your market recognition and reputation. Of course, it is important to live up to your brand and keep promises implied in your brand and those specific to a contract.

### The Many Hats of Business Development

*The purpose of this paper is to give the executive leaders of HVAC/sheet metal companies a solid description of the business development and market planning approach and some tools to work through the creation of a business development and market planning process. Although the paper appears to assume the reader's company will have personnel dedicated to business development and marketing, we are aware that many companies do not have a business development director or marketing manager. Rather, the top executives wear many hats. We assume that this is the case for smaller companies, but one president of an HVAC/sheet metal and electrical contractor with over \$100 million in annual revenues wears many hats that include business development. He does have help, however, as the company follows what the president described as a "seller-doer" model.*

*At the beginning of our interview, the president of the company says that he doesn't have a business development or sales staff. Considering that the company has grown 600% over the past 20 years and has had double-digit profits during that time—even through the Great Recession—this would seem to put a big hole in our thesis that all HVAC/sheet metal companies must be good at business development and marketing to succeed in a competitive market. Fortunately, our interview didn't end there.*

*Further discussion revealed that the company does have regular meetings to discuss business opportunities, customers and prospects. The group of many hats consists of key people like the services manager, estimating manager, mechanical manager, operations manager, a project manager interested in learning about business development and the president who keeps the group focused. One of the main goals, according to the president, is to maintain customer and prospect contact at various levels from the field to the front office.*

*The company does not have a business development or sales department, but it does do business development and sales through people who understand the business and its customers very well. IT doesn't have a CRM system (customer relationship management), but it does keep track of customers and contact activity using a basic database. But does it do anything like market planning? No, strategy and market planning are instead part of the annual business planning process. The business planning process includes HR challenges, process challenges, business opportunities and where to focus the company's energies. This approach keeps the various departments and goals in sync.*

*What about differentiation? While the company does about 60% to 70% of its business in the hard-bid or low-bid markets, it also has design-*

*build capabilities for negotiated work. Safety and price are mostly givens in the market. All the competition can claim these basic characteristics and competencies. So what does the company use in its sales pitch to differentiate it from the competition? According to the president, “If we haven’t got the project locked up before the pitch, we’re dead.” This requires making multiple contacts and doing your homework long before the presentation. The president calls it the “three P’s”:*

- 1) People with good personalities and a resume of work. Operations people with these characteristics make a big difference in landing the job and keeping happy customers.*
- 2) Process: Prove your process works and support those claims in the proposal.*

- 3) Passion: Show the client you have the passion for his/her project, especially when the client has some important goals it is trying to attain with the project.*

*While the company may not strictly follow the formal approach given in this paper, it does cover almost all of the important steps and processes described as good business development processes. The president realizes that the company’s business development process needs more structure and organization, and he says the company will be doing more of this in the future. He also realizes that he is now the primary BD strategist, but he is working to pass his knowledge on to others in the company.*

## DEVELOPING THE MARKETING STRATEGY

The first steps to developing a marketing strategy are focused on information gathering. We define the types of information to be gathered below. The point of these exercises is to organize the best information you can to provide data that supports your strategic decisions. While some may have an idea of what the company’s ultimate marketing/development strategy should be going into this process, it is best to keep the information gathering objective and as factual as possible. Those with pre-set ideas may often be surprised with what they learn.

### SWOT Situational Analysis

The objective of a SWOT analysis is to identify critical strategy-related factors that now have,

or potentially could have, a major impact on your business. The SWOT analysis is a simple, yet effective, technique for evaluating internal Strengths and Weaknesses and external Opportunities and Threats. It is an integral part of any market planning process.

Within the market planning process, we want to:

- Take full advantage of and build on *Strengths*.
- Recognize and correct *Weaknesses* where possible.
- Exploit significant *Opportunities*.
- Recognize and avoid *Threats*.

Input for the SWOT analysis may go beyond the planning group to include others in your company whose information and opinions might be valuable. For those companies that have not

done this before or individuals who have not previously been involved in a SWOT analysis, it is a good idea to explain what you expect and give some definitions for the acronym SWOT. Use the following guide:

### **Strengths: Internal Focus**

Characteristics of your marketing and selling efforts, technology, financial resources, fabrication efficiencies, market position, reputation, etc., that give you an advantage over the competition.

### **Weaknesses: Internal Focus**

Characteristics that put you at a disadvantage compared to the competition. Areas that need to be improved in order to grow and/or be more competitive, such as a culture among your operations resources that works against your proactive BD efforts.

### **Opportunities: External Focus**

Favorable market situations or conditions that could allow for growth in revenue and profitability. Example considerations might include increased demand/spend in the public market or potential for increased margins in a sector because a couple of competitors went out of business.

### **Threats: External Focus**

Negative factors within the business environment that could hurt sales growth and profitability. An example might be a large mechanical with sheet metal capabilities moving into the market or a shift to ductless systems.

In the *Market Planning Guide* that accompanies this paper, we provide a form to help collect and analyze the factors and responses in the SWOT analysis. Use of a formal approach to responses will make the information easier to compare when everyone has completed his or her tasks.

## **Competitive Analysis**

Competitive analysis is essentially a SWOT analysis of your competition's strengths and weaknesses. This exercise is important for your current market competitors as well as other markets that you might consider entering as you progress through your strategic plan. The form provided in the *Market Planning Guide* for competitive analysis asks for a bit more detail than for the internal SWOT analysis. While it is often assumed that you and your managers know a great deal about your competitors, it is a good idea to get information from outside sources as well. That might include looking at competitors' websites, work history and analysis from a third-party research provider. *This information gathering does not include the use of information gathering deemed unethical.*

Like the internal SWOT analysis, input for the competitive analysis may go beyond the planning group to include others in your company whose information and opinions might be valuable.

## **CUSTOMER TARGETING**

Customer targeting information includes an understanding of who your current customers are, what they think of your company, what common characteristics they share, and ranking your best and worst customers. Characteristics are attributes of how you might describe a customer's "behaviors" or business tendencies. Ideally, you should be working with customers whose business characteristics align with what you want. That means you also need to specify what you want in a

good customer. Generally, the idea that you might choose customers you want to work with is foreign to companies that try to get any job with any customer that comes its way. Customer targeting is a step toward changing that and working with better, more profitable and more loyal customers.

Customer targeting also includes prospective customers—those potential customers in current markets that you have not worked with yet, as well as the potential customers in new markets you might be considering. For larger companies with wide-ranging services or geographic territories, this effort may call for analysis from an outside source to obtain an objective and more formal look at the market. Two research approaches commonly used are perception studies and market studies.

### The Market Perception Study

A market perception study is a survey, or an external interview, that assesses the market's opinions of a target company's:

- Service performance
- Brand image
- Competitive positioning
- Degree to which it is meeting customers' needs

The survey is typically a combination of:

- A standardized “quantitative” survey
- “Qualitative” one-on-one interviews (by telephone or in person)

Additionally, it may be preceded by a series of focus groups and ideally conducted on either a regular or a periodic basis.

A perception study provides:

- An understanding of what aspects of the relationship/service are most important to the client's decision to hire a general contractor

- An understanding of how well the firm is performing on the aspects of importance to the client
- A foundation for developing process improvements designed to improve performance on selected aspects of its service
- Baselines of performance against which follow-up surveys can track improvements and changes in service delivery
- A competitive advantage for securing and maintaining customers
- Reduced costs of sales by improving the likelihood of repeat business

### The Market Study

A market study or market assessment should define, characterize and forecast key dynamics in the marketplace. Development of fact-based market information is fundamental to effective decision making. Robust market assessments provide critical support to strategic planning, business development, acquisition strategy, salesforce deployment, business expansion and new product development decisions. These characteristics typically include:

- Market size and growth
- Underlying trends and drivers
- Segmentation
- Leading customers and buying practices
- Competition
- Potential game-changing products, technology, regulations

Markets can be defined by different boundaries:

**Geographic Assessment:** Includes studies that are geographically defined by counties, MSAs, states

and national or international regions. Boundaries may be aligned with current or proposed service areas, sales territories or office/plant locations.

**Product/Industry Assessment:** This type of assessment focuses on a particular product or service category or industry segment. In many cases, it is beneficial to overlay a geographic assessment as well.

**Construction Segment:** The boundaries of these market assessments are defined by U.S. Department of Commerce construction segments (e.g., commercial, offices, multifamily). Market assessments conducted within a construction segment may be related to strategic planning or business expansion. A geographic definition is often overlaid as well (e.g., tenant improvement in New York City).

## Target Customer Characteristics

Targeting customer characteristics, whether they are end users, customers or mechanical/general contractors, is much more effective than trying to target the market as a whole. For example, instead of targeting the general market segment of health care, you might target private hospital systems with stable endowments that have recently started to expand, but lack full staffing in their facilities' departments. Whichever the criteria, the key is going back and digging through your completed projects to see what customers and projects have been the most successful. Then, use those criteria to target new customers.

Characteristics are attributes for how you might describe a customer's "behaviors" or business tendencies. Ideally, you should be working with customers whose business characteristics align with what you want. List characteristics that you feel describe the best customer to serve (i.e., pays according to schedule, potential for future work, ethical, uses preferred procurement methods, etc.).

Characteristics of your best and worst customers

- Data source: closed contract analysis
- Data source: the people in your company who have worked directly with your customers
- Data sources: percent of projects awarded compared with total submissions

Target customers that match the criteria and goals of your strategic plan.

- Prioritize customers and prospects
- Plan to increase contacts and work with higher-priority customers
- Plan to avoid low-ranked customers or set criteria of when to work with them

Worksheets are provided in the *Market Planning Guide* to help you work through the process of identifying the characteristics of your best and worst customers and for ranking and prioritizing customers to help focus the marketing/business development plan on your top customers.

Gather the facts you need about your customers, market, competitors and company to become realistic about what is working and where opportunities exist. When companies have facts, they are more likely to create the successful strategies needed to break out of the pack and get ahead of competitors. Today you have to be able to give customers a solid business reason to pick you. Identify where you can leverage your company's capability and core competencies that give customers an excuse to give you the last look or even to pay just a bit more for you than for the next competitor.

## CREATING YOUR VALUE PROPOSITION

What company is going to tell the prospective customer that it does not have excellent services, good people, on-time delivery and works within budget? Those characteristics define a commodity sold at the lowest price per unit. However, once you have gone through the work of SWOT analysis, analyzing the market, competitors and customers, you will have the base data input to work on those areas where you can offer unique selling points (USPs). You should be prepared to discuss issues such as your unique capabilities as compared to the competition and what particular customers need; your services offerings not available from the competition; and how your strengths match up with the needs of your top-targeted customers. Your company culture may also be a USP. How your employees collaborate and communicate internally and externally with the customer to be responsive, safe, professional and determined to create raving customers; these are all examples of a strong culture-based USP. Your value proposition should include a description of the following:

1. What you offer
2. The market and customers you make the offer to
3. The point(s) of difference of your offering compared to the competition
4. How you prove your position

### Sample value proposition:

*We offer preconstruction services for design-build general contractors that minimize the life cycle costs of projects by building in HVAC equipment and options to meet the needs over the life of the building. We have been able to save an average of 7% of lifetime operations costs and have letters of recommendation by a dozen higher education clients to back it up.*

Note that our sample value proposition is unique and specific. The description should not fit your competitors' value proposition. It should be specific and targeted to meet and exceed the needs of your customers. It should be a bold statement that your company can live up to.

## IMPLEMENTING THE MARKETING STRATEGY

Once you have gone through the hard work of developing goals, strategies and tactics, it is time to create actions that will make your efforts pay off. At this point, your marketing/business development planning process will start to look like planning for a construction project. You need to develop a timeline for completion of each strategy and action steps to get there and then assign the personnel responsible to achieve your plans. With specifics in place, you should be able to measure work in progress as well as compare results against desired strategic goals.

For example, say the (fictitious) More Metals Company's goal is to expand its fabrication services not only to support its own projects, but also to fabricate for other contractors in the greater Minneapolis-St. Paul region. The planning process produced this strategy after analyzing customer needs and competitor strengths and weaknesses, and then comparing them to the company's strengths. The company currently operates a fabrication shop that has been a high-profit center and has plans to expand operations to include an additional 50% capacity. At this time, the company only needs about 20% of the new capacity, so its goal is to fill the remaining amount with work from new sources. The expanded capacity will be available in six months. With clear goals in mind, a strategy in place and people responsible for achieving the objective, it is time to go to the marketing toolbox and implement tactics for achieving the plan.

## MARKETING COMMUNICATION TOOLS

At the beginning of this paper, we suggested that half of what you spend on advertising—now a part of marketing and business development—is wasted. Therefore, it would seem that the first thing one would want to do is identify that wasted half and stop it. However, once you have defined goals and strategies and have done your marketing homework in the steps above, you will be well on your way toward spending more wisely and strategically on finding and winning work. What's more, the process will include ways to measure what is working and what is not working in your marketing plans. Wannamaker was an early pioneer in advertising and marketing, but marketing management has come a long way in the last 200 years. Is money still being wasted on marketing efforts? Of course, but sometimes you have to try things. The difference is that by using a more formal process, your investments can be tracked, analyzed and improved.

In a business development survey conducted by FMI a few years ago, we found that 54% of respondents spent between 2% and 6% of annual revenue on targeting and winning work. The survey participants were both general contractors and subcontractors, but the average investment percentage was nearly the same for both. However, in a similar survey in 2005, only 25% of contractors spent between 2% and 6% of annual revenue on targeting and winning work. That significant difference indicates that 1) Contractors are willing to spend money on marketing and business development, and 2) Spending for marketing can take a large fall when business is down in times when it is most needed.

Back to our example, More Metals has a number of marketing communications tools to choose from. However, one of the first problems that many companies in the HVAC and sheet metal business are likely to run into is that they have

not effectively used all of these tools. In reality, true Customer Relations Management (CRM) systems are only being used by a small percentage of contractors at this time. In a large company with a lot of customers and prospects to track, a CRM system is essential. However, we noted earlier that the process is scalable. In this case, More Metals has identified all of its competitors in earlier information gathering. It also will know if any of those companies have or need more prefabrication capacity.

### A Short List of Marketing Tools

#### Business development focus

- Adopt a Customer Relations Management system (CRM)—a systemized way to track customer contacts, etc.
- Focus on top prospects and customers
- Provide value and interest
- Create your brand reputation

#### Brand development channels:

- Website, a must-have these days, but an out-of-date website is a turn off
- Social media
- Personal contact by phone or in person
- Email lists and strategies
- Job-site signage
- Trucks, uniforms to make your company stand out

#### Other media and points of contact

- Online video
- Local government participation

- Community outreach
  - Sponsoring soccer or little league baseball teams
  - Donating services to a community project
- Associations and other networking

## USE THE RIGHT TOOLS TO GET YOUR MESSAGE OUT

One place that the marketing dollar is wasted is the use of the wrong tools to achieve the objective. If the target market you have identified is small, say 40 prospects, a mass mailing to everyone you know won't make sense and may just look unprofessional if you are sending the mail to the wrong people. This holds true whether the mail is traditional mail or email. However, you may use several tools to complement each other. For instance, to take our example of More Metals, the company could create a marketing campaign to reach the target companies from several steps:

1. Create a press release announcing the building of the new pre-fab facility
2. Send the release to local media
3. Add the announcement to the website
4. Email the press release to the target market
5. Produce a video of the current facilities and the new facilities, emphasizing capabilities, etc.
6. Send a targeted note on Facebook with information about capabilities
7. Have salespeople call on prospects

The use of a mix of different marketing tools timed to release in a certain order helps to get the word out to the target audience in a methodical method and reinforces the message. There is an old saying in marketing that one needs to “touch” the prospect at least three times before a sale is made.

For instance, do not expect to pick just one item from the list of steps above and customers will beat a path to your door.

Once you do start getting responses or inquiries, track them, respond to them in a timely fashion and follow up. If you meet resistance, review what the cause of the resistance is and adjust accordingly. This will be possible only because you are tracking results.

## EVALUATING YOUR MARKETING EFFECTIVENESS

The ultimate way to know if your marketing efforts are successful is to track your backlog. If the backlog is growing, and if the backlog is made up of potentially more profitable projects, then marketing must be working. Unfortunately, that method can produce some false positives. For instance, at the time of this report in 2016, most companies appear to be growing backlog in large part because the economy is producing more work for the construction industry. How much of that is attributable to marketing, and how much is just a matter of being there and winning the bid? For instance, in a couple of interviews for this paper, we heard both answers. [See sidebars above] One president of a sheet metal company said business is picking up, because everyone else has a full backlog. Another executive whose company focuses more on HVAC work agrees but adds it does not have a formal measurement system, but he is certain that its marketing efforts are working.

There are better ways to evaluate marketing effectiveness. Let's assume that your company has done the work discussed above using the approach detailed in the *Market Planning Guide*. You will then have the specific goals and action plans with specific outcomes. In our example of More Metals goal to increase fabrication sales, we can measure the results of its efforts in several ways.

First, were the steps in the plan completed according to schedule? Assuming we have gone through the first phase of the marketing communications campaign, there are measures that can be reviewed. How many people have looked at the fabrication section of your website? (Websites' software usually provide ways to track "clicks" or "click-throughs" and how long someone has spent reading material or watching a video.) Have you received more inquiries from your target market? In many cases, this will mean you need to know how many inquiries you received before the marketing plan. What has been the response from the personal sales calls?

The various measurements used to track progress should be known and communicated to the team at the outset of the marketing effort. The team should also be prepared to present and review these numbers on a specified periodic basis. In fact, to be most effective, your marketing and business development plans should be presented to the whole company, at least as a matter of overall goals. The shop and field should also have an idea of where you are heading. Would a football coach keep his game plan a secret from everyone except his coaches and the quarterback?

Any way you measure your results, the periodic reviews are critical to long-term success. They demonstrate that the marketing plan is a leadership document supported by leadership and not just a long exercise producing a binder that collects dust on the shelf. Interim reviews also help to know what isn't working and adjust your plans. Are you working with the target customers and services you identified in your plan? Maybe your message has reached the intended target audience, but no one is interested in your offering. That, of course, is the last thing you want to hear, but at least you know something you didn't know before, and you can look into the problem. On the other hand, what if the plan is working better than expected? Do you need to speed up the timeline for introducing the

new product or service? Do you need to hire more people? This is an opportunity you certainly don't want to miss because you did not see it coming.

Finally, do not forget to celebrate success. Many companies have their own approach to this. Perhaps the people on the marketing team had bonuses attached to the plan, for instance, to meet a stretch goal of a certain percentage more sales than planned. On the other hand, maybe it is a matter of throwing a barbeque to celebrate or publishing the story in your company newsletter. Whatever way you approach it, you want to involve everyone in the effort and do more of the same.

## CONCLUSION

Given how busy most construction industry executives are right now, the time taken just to read this paper may seem like wasted time when there are people to meet and so much work to get done today. Taking the time necessary to implement these concepts using the *Market Planning Guide* can look even more arduous; especially to those who haven't attempted to formalize their marketing plans before. We hope that even scanning this paper and the *Market Planning Guide* will be worth something for the time invested. However, working through the steps to make an effective plan and making the plan work should be more than worth the investment in time you and your team takes to accomplish it. The overriding goal is to make your "go-to-market" plans drive business development and reach the goals you have for the company not only to keep your people working, but also to be more profitable and grow your brand and success for years to come. The bottom line here is that market planning works, and it will in time improve your bottom line.

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