

Client Focused Marketing Commitment-Trust Relationships

*Building Strategic Alliances Between Owners and General Contractors/Construction Managers,
Subcontractors & Vendors – For the Purpose of Creating a Sustainable Competitive Advantage*

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Although the subject of marketing has received a fair amount of attention in construction circles over recent years, the construction industry in general has traditionally suffered from a lack of the kind of universal management skills taught at business schools, resulting in an understandable but yet deficient knowledge as to the true nature of marketing, which fosters a tendency to confuse marketing with the ambiguous subordinate undertakings that should be under a central marketing department. Such tasks and objectives required by a centralized and proactive marketing effort include but are not limited to responsibilities such as advertising, public relations, data collection, market research and a multitude of selling techniques. The responsibilities of marketing should include extensive interaction with other functional departments of the firm such as estimating, finance and operations management. If a firm has tangent businesses or subsidiaries that are concentric in nature, it is essential that some type of high-level interface between all of these entities and centralized marketing be in existence.

While many companies throughout maintain that marketing is taken seriously and is at least demonstrated outwardly by the existence of separate marketing departments and staff, neither is its function integrated into the firm's strategic policies, nor is it well understood by other staff. The impression gained in general is that marketing is essentially still understood as a sales function, it is not adequately integrated into the structure or culture of the firm, and communication with other management departments occurs only on an informal and adhoc basis.

The underlying reason for such a marketing structure is to divine from within,

harness, direct and control the activities and resources expended in performing all undertakings by the firm in an effort to develop systems and synergies aimed at building a powerful and reliable industry-wide image of the firm. The very first task of the marketing head is to conduct a **"SWOT"** analysis of the entire company. Understanding the basic characteristics of the firm is essential. S- Strengths stands for, 'What is it that the firm does well, as a result of their unique talents and or capabilities?' W-Weaknesses stands for, 'What is it that the firm does not perform well at – or where is it vulnerable in terms of business development and or production?' O-Opportunities stands for, "What are the potential opportunities available for the firm to attain?" This is only meaningful in terms of future marketing, after the self-analysis of the company has been concluded, and when the firm can be appropriately aligned with what the marketing opportunities allow. T-Threats stands for, 'What have been, - in the past, are now, and what will be in the future – any threats to the firm's success in entering into and obtaining business from their desired market?'



COMMITMENT AND TRUST:

Relationship marketing, which focuses on the creation, developing, and maintaining of successful business exchanges, constitutes a key paradigm shift in traditional construction practices. This directional change in both marketing theory and practice can be reduced to one denominator comprised of two dependant variables. They are commitment and trust. To state it simply; if construction business alliances can rely upon each other to help each





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other, they can in fact trust one another. That trust of the other is key to establishing a willingness to make a commitment to each other. Trust is born of the ability to know that your partner in any exchange will not take a self-serving advantage of the relationship in order to gain an unfair equity advantage over the other.

To be an effective contender in the construction industry one must first be recognized as a trusted cooperator. As Bleeke, a consultant with McKinsey & Company, put it in a recent paper, for the success of most construction businesses today, “the days of predatory competition are over... In place of predation, many ... firms are learning that they must collaborate to compete.” Building upon those relationships first requires that you define just what your business is, what it is selling, and to whom.

ARE YOU MARKETING A PRODUCT, SERVICE OR PROCESS?

The question of whether industrial or services marketing is appropriate for the construction industry is probably best answered by saying that both apply, depending on the degree of involvement of individual organizations in the production process, particularly if one differentiates between suppliers of building materials or contractors. Generally the product of the construction industry is characterized by its technical complexity, considerable size both in terms of money involved and in the expected life cycle, which provides long-term benefits. It is as a rule renewable and unique, no two projects are exactly alike.

A great proportion of the product package consists of service: a load of 5000 bricks is undoubtedly a product; the team of bricklayers who put them in place provides an industrial process and the contractor who manages this process provides a service to his client.

Services and service quality become ever more important; so much so that a number of construction firms are positioning themselves as service organizations positioned to meet customers’ building requirements. An extensive contractor – client-supplier relationship with intensive information exchange is inevitable. As a direct consequence, in order for the GC/CM to fulfill this new role,

he has to manage these relationships at all levels. Having identified services marketing as being of importance, it is particularly relationship marketing that is of interest, which not only considers clients’ relations but also those involving other members of the construction industry, such as suppliers, sub-contractors, Architects, Engineers, Owners, Developers, Financial Consultants and others. The emphasis is not on bringing about the traditional, discrete transaction process, but on building recurring relationships offering multiple transactions with the same client. This type of marketing becomes significant

in those areas of service operations, which cannot be provided entirely on one occasion.

There are three complementary

perspectives to be considered.

1. Significance of Client Preservation
2. Alignment between Marketing, Customer Service and Quality
3. Enhancement of Internal and External Relationships

Attracting and retaining customers is the objective of relationship marketing. It includes the forms of marketing from a transactional to a relationship focus, with the emphasis on customer retention, high customer service and commitment and quality being a concern for all. It is about recognizing that the organization’s existing customer base is its most important asset, which has to be protected. Rather than treating marketing, customer service and quality as separate and unrelated issues, they have to be fully integrated in a truly customer focused company. The customer’s perception of performance should be monitored and measured rather than merely relying on internal means of information. Not only improved relations with customers, but also development and enhancement of relations in supplier, recruitment, internal, referral and influence markets are necessary.

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STRUCTURAL DRIVERS OF MARKETING SUCCESS CUSTOMER-CLIENTELE MARKET

Primary focus of marketing activities rests on the client, with emphasis not only on individual sales (transactional marketing) but also on long-term relationships (relationship marketing). Not surprisingly, clients are seen as most valuable, after all they are the one's who provide a firm's revenue. While it is acknowledged that construction relies on extensive networking, it is still largely the position of most General Contractors and Construction Managers that maintaining a good working relationship with their clients will be measured by the successful completion of the project by their subcontractors. However, most General Contractors and Construction Managers do not display any recognition of that fact to their subcontractors and vendors. Thus the link should be established, in contrast to an earlier lack of appreciation of subs and vendors, to develop a provision for a contact point with marketing, directly with Subcontractors and Vendors as important commitment and trust partners in the supply chain.

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high level of client satisfaction. This particularly applies in a services marketing context, where frequent employee - client interactions determine the level of client satisfaction and ultimately influences the overall performance and profitability of a company.

Although all companies have been found to genuinely value their employees and support internal as well as external activities to motivate and enhance their performance, an example of a structured approach with a system of measuring improved business performance is traditionally not found to exist. Additionally, the idea of viewing external organizations in the supply chain as internal clients in terms of internal marketing is not usually encountered.

RECRUITMENT MARKET

Maintaining good relations with those who supply labor resources to the organization is beneficial. As success of service organizations is particularly dependent on the availability of skilled and suitably qualified personnel, it is important to cultivate long term relations with one's in-house pool of skilled workers, and the reliance upon accessible subcontract suppliers of industry trained personnel, so that the required number of qualified staff can be attracted – especially when and where it is needed most – and at a cost efficient level consistent with the pricing requirements of the project(s) at hand.

REFERRAL MARKET

Traditionally it is satisfied customers that are the key referral source and their marketing on behalf of the company represents the best form of marketing. Other sources include architects, engineers, suppliers, subcontractors, and other agencies or in some cases even competitors. Specific strategies need to be devised to reward referral sources that generate most business. In the referral business, it should be noted that good news travels – but not as fast as bad news. In fact, research has revealed that a favorable referral will be passed along in a ratio of 1:9 in comparison to bad news. In other words, a bad story will be passed along 9 times as often as a good story.

INTERNAL MARKET

The employees of a company have to be involved and be an integral part of the business. They must share in both, an understanding of the company's mission, and a demonstrated agreement with that position, and have formed long-term ties with the employer for it to remain successful in the market place. Employees with high levels of satisfaction are very valuable, long ties create a familiarity with the business and they possess a high degree of knowledge, all of which has the potential to determine a

INFLUENCE MARKET

Trade and consumer associations, legislative and political groups that make up the influence market can also affect the relationship an organization has with its clients. Maintaining good relations with the appropriate influence market lets companies keep up with latest developments in the industry and signals to clients that they are committed to their relationship. Joining trade associations is one thing; belonging to them is another. Some of the very best



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relationships are formed by those who belong to Trade Associations, and endeavor to work in tandem with other members, for the purposes of enhancing their industry and their constituencies.

SUPPLIER MARKET

Although relations with suppliers have in the past been of an adversarial nature, where contractors have typically focused on extracting a lowest price, which has led to costs of variability in supply or quality and more often than not in both, a shift in attitude has been observed of recent. Firms have recognized that the supplier is very much a part of their product, realizing that benefits can be gained by working together. Tangible benefits can be the optimization of the product through an exchange of ideas and information between General Contractors and Construction Managers and their subcontractors and vendors, improving the level of quality, greater flexibility in meeting design changes and shorter delivery lead times.

CONCLUSION:

Inasmuch as we have explored the concepts of relationship building in terms of marketing, it is apparent that commitment and trust relationships have been seen as essential drivers of successful business development agendas. Relationship marketing refers to all of the activities that should be directed by a central marketing department with an appropriate staff as required to accomplish the stated goals and objectives of the proactive firm. With regard to any firm, there are many forms of relationship marketing, which include clients, employees, subcontractors and vendors and many levels of industry constituents from various professional groups. The need for a comprehensive approach to commitment-trust relationship marketing is dictated by the rapidly changing dynamics of the construction industry across the board.

Demonstrating the characteristics of an accomplished participant as a trusted competitor and service provider partner: I suggest that significant relationships can be built that will lead to cooperative arrangements, that will increase the likelihood that partners will continue to engage in the type of behavior consistent with long-term success. Trusting relationships will increase the switching costs to partners related to breaking ranks. The more each partner trusts the other, the stronger the commitment to each other becomes. When “commitment and trust” is key to a firm’s fundamental marketing and business development agenda, it is a natural phenomenon for firms to, 1.) offer and provide resources, opportunities,

and benefits that are superior to the offerings of alternative venues, 2.) develop and maintain a high-level of corporate values and allying oneself only with exchange partners with the same type of characteristics, 3.) share valuable information of pertinence to all parties to any exchange, and 4.) avoid at all costs, any attempt to take a self-serving advantage of any of your exchange partners. Recognizing all of the above as a significant and meaningful departure from the status quo will lead to tremendous rewards.

Much more work in the construction industry needs to be accomplished to make the types of changes necessary to engrain the concepts of cooperation and trust in an industry traditionally rife with adversarial relationships born of predatory competitive bidding and self-interest seeking norms. I close asking you to take a moment to reflect upon the transitional core marketing and sales beliefs of one very influential corporate icon of U.S. industry. Early in his career he was reported to have exclaimed to the country, “You can buy a Ford in any color, just as long as it is black”. In the final days of his illustrious career, he went on to tell his marketing and sales staff, “The man who will use his skill and productive imagination and capacity to see how much he can give for a dollar, instead of how little he can provide for that dollar, is bound to succeed.” I quote Henry Ford. ATH

MARKETING

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