

Marketing Subcontractor Services

Winning That Big Contract is More Than Just Low Bid Today

By **Greg Hoyle**, Consultant
Fails Management Institute

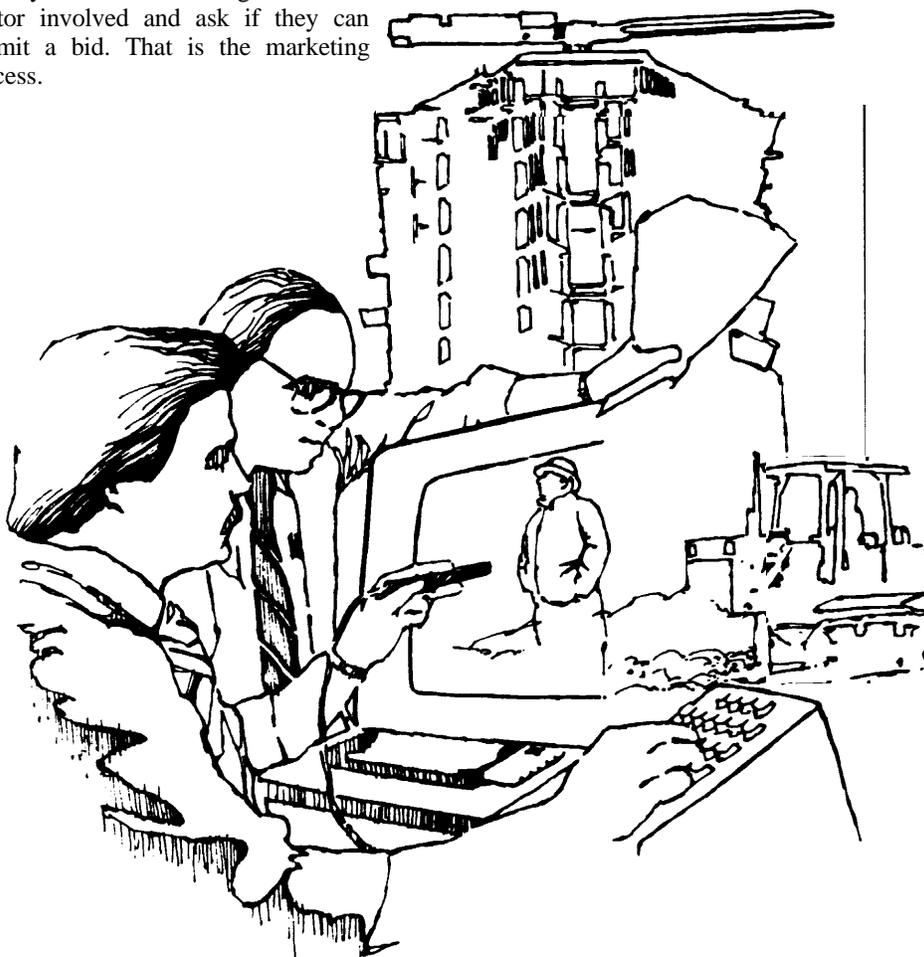
Often subcontractors come to our consultants and say, "How do we market subcontractor services? Everything is low bid. There is no way for us to use a marketing technique in a subcontracting firm." That is the myth of subcontractor marketing. In fact, marketing subcontractor services is possible and even necessary. Subcontractor marketing is based on the same principles of marketing that general contractors use. You need to know to whom you are going to market—who the decision makers are and what their selection criteria are. Then you contact these people and show them how you can meet their needs. We're going to explore subcontractor marketing both from the point of view of the general contractor who is selecting a subcontractor as well as the subcontractor's perspective.

If you're a small sub, you've probably found yourself thinking "Surely, most extremely large and sophisticated subcontractors know how to market their services." You know the ones we're talking about—the big well-known ones that seem to get all the work. They must know the sales and marketing games quite well. Obviously, they are successful. So, it follows that they must know how to market. However, many large subs are no more sophisticated about marketing than small subs. Both large and small sub-

contractor firms can market in the same way; it's just a matter of scale.

In the traditional subcontractor marketing or sales approach, subcontractors look for jobs. They hear of a job, and they decide they want to bid it. They then contact the general contractor involved and ask if they can submit a bid. That is the marketing process.

But does it seem to you that some subcontractors are more successful at finding out about jobs and at getting those jobs than others? Of course it does. When you hear of a competitor like that, do you decide to work harder



“One of the best things you can do to sell your services is to keep general contractors informed about any upcoming jobs you may have heard about.”

and find out about more jobs? “If I could just find out about the jobs, then maybe I could get as much work as they do!” The idea that job chasing is the only way to market subcontract services is perhaps the biggest single misconception in construction marketing today. In reality, job chasing is widely used, and general contractors and construction managers purchase many subcontract services in that environment. But, chasing jobs won’t allow you to make the most of your resources as a subcontractor. A far better approach to subcontractor marketing is to chase clients or customers rather than jobs. In doing so you build

a relationship that may yield continuing work.

As the major purchaser of subcontract services, the general contractor provides the key to subcontractor marketing. We are going to examine just how the general contractor makes decisions and how a subcontractor can be more effective at influencing those decisions.

The GC’s Selection Process . . .

Within the general contractor organization there is usually a variety of decision makers. A recent survey of major southern California general contracting firms, determined that there are several different decision makers, any of whom may be involved in the subcontractor selection process. Every general contractor organizes himself slightly differently than other general contracting firms, so every firm will not have each of the persons listed below. But, every general contractor will have at least one and maybe two or three of these positions, people who

make decisions about subcontractor selection. The decision makers in the surveyed firms were:

- The president
- The executive vice-president
- The branch manager
- The office manager
- The director of business development
- The director of construction, or
- The chief estimator.

Half of the contractors interviewed in the survey involved more than one person in the actual subcontractor selection process. Within any one general contracting firm, a sub may need to make several contacts. Certain people always have final decision-making responsibility, but the decisions are often influenced by other people in the firm. Conducting the survey yielded another piece of valuable information—you can find out who the decision makers are in a given firm by making a phone call. Most of the time, if the receptionist can’t identify the person, she can and will name another person in the firm who does know who the decision maker is. Once you have

Exhibit I

Subcontractor Capabilities Document

Capabilities presented should have **these inclusions:**

- | | |
|---------------|---|
| Performance: | Experience by project type. |
| References: | Three to four general contractors worked with in the past; their names and telephone numbers should be listed |
| Local: | Indicate where you want to work geographically. |
| Project Size: | The size of projects you are interested in should be given, including a realistic range of dollar values. |
| Suppliers: | At least two suppliers you have done business with as an additional reference. |
| Financial: | Financial statements with your bank account number for verification of cash. |
| Bonding: | Name and telephone number of your bonding agent. |

found out who will be making decisions about subcontractors, you will know whom to contact.

For most general contractors, selecting a subcontractor is a clearly defined process. General contractors have lists of subcontractors they have used in the past and would use again in the future. In many general contracting firms in major cities, this list may include as many as 10 to 20 subcontractors by trade. In smaller communities, of course, the list may be much shorter. When a particular job comes up for bid, the general contractor simply selects from this broad list a group of subcontractors who are well-suited for the job. In design/build or fast-track work, this selection of subcontractors from a broad list is very specific. The selection is based on speed, organization, quality of work, and, of course, price; but, in design/build, price is not as significant as it is in bid work.

For bid work the list will also be pared down, but on a less selective basis, encouraging long bid lists and competitive pricing. We all know that in recent years the list (for hard dollar bids) can be as long as 15 or 16 contractors. Then, the selection of a subcontractor is based on the price submitted in the bid.

In design/build work, the process is slightly different—general contractors openly use preferences. They consider items such as scheduling, quality, organization, and dependability just as important as price. The general contractor judges the total value he is going to receive beyond what is written in the specifications. Of course the price is still important, but it isn't an overwhelming consideration.

However, in low bid work, price is always the determining factor. And, in government work, preferences given on items other than price are illegal.

The survey also uncovered another interesting fact about subcontractor selection by generals. The owner, the project manager, the architect or another outside consultant, as well as the general contractor's company management, are often given veto power over who is invited to bid a particular project. Any one of these persons might decide to veto a particular sub. Usually, the reason has to be substantiated, but the decision makers generally respect the veto prerogative. Subcontractors are usually not aware

Exhibit II

Marketing to the General Contractor

- Identify upcoming jobs to the general contractor—bring valuable leads
- Assist the general contractor with presentations to owners.
- Participate in a team approach to bidding/negotiating the job.
- Point out change order potentials.
- Publicize training programs you offer to ensure a skilled work force.
- Point out legal liabilities and areas of exposure in your field of expertise.
- Build relationships with general contractors—reinforce by your performance on the job.

of any vetos that may have affected their selection. If, for example, a project manager has worked with a particular subcontractor in the past and had a difficult time getting the work finished, he may veto that sub when the list is selected for the next project. Similarly, an architect or an outside

consultant might have a complaint about a subcontractor's use of change orders. On the other hand, an owner, a project manager, an architect or an engineer can also add a subcontractor to the list if he chooses to do so.

General contractors are reasonable decision makers. They encourage com-

petition to keep prices low, but they also prefer to work with subs that they know and trust. If a good sub were left off the list for bids, most general contractors will consider a last-minute price. The subcontractor selection process is not cut and dried. General contractors do consider what they know about subs—there is a human element involved. And, as long as there is a human element involved, the marketing process can be effective.

The subcontractor selection process in a general contracting firm is usually a two-tiered process. First, subcontractors are qualified by that particular general. Second, the general contractor determines who are the legitimate candidates among that list for the project in question. The selection criteria vary from one general contractor to another, and various aspects of the subcontractor's performance are cited as being important. The most frequently mentioned criteria in our

survey for inclusion on the initial qualification lists are:

1. Reputation
2. The quality of work
3. Financial capability and bondability
4. Service by the subcontractor to the general contractor.

The second round of qualification, the qualification for a particular job, is a more important step in the subcontractor selection process. In this stage the subcontractor is subjected to very specific criteria. Most importantly, the general contractor selects highly qualified subcontractors. The general contractor is most concerned with the performance of that subcontractor on a similar type and size of work. He is concerned with the subcontractor's technical knowledge and how much work the sub already has in process. He might also consider previous relationships between the subcontractor and the owner.

Your Marketing Process . . .

Now let's talk about you. How can you, as a subcontractor, market your services to generals? It's really quite easy to get yourself on an initial list with a general contractor. You simply need to let the general contractor know what kind of work you do, who you've worked with in the past, and that you are interested in having your firm included on his list. Exhibit 1 is a sample capabilities document that you could send to generals in order to be prequalified for initial selection. Often, general contractors will include on bid lists those subcontractors with a particularly strong presence in the community or a strong past work history. Once you're on the list, the second and more critical part of the decision process depends on personal perceptions that the general contractor has about the sub. If the general con-

tractor things a sub is too small, then he may not wish to invite that sub to bid. Even if a sub is fully qualified to bid, he may be arbitrarily pulled from the final list because the general contractor is not aware of the quality of work or the base of experience that the subcontractor has. That's where your marketing effort comes in.

The basis of any good marketing effort is differentiation. You need to differentiate yourself from other subcontractors, set yourself apart, emphasize a feature about your firm that will cause customers to remember you. How do you do that when you're selling essentially the same services as other contractors in your trade? Maybe you develop production capabilities that allow you to do more work in less time. Maybe you are extremely dependable—you always do what you say when you say you'll do it. Or, perhaps you go out of your way to say "yes" to customer requests. Saying "yes" to customer requests, being cooperative, going out of your way to get the job done and get the job done right—that might be the perfect way for you to differentiate yourself. Think carefully about your firm; decide where your strong points are; and use them to your advantage. There is some quality or characteristic that you have, unique to your firm, on which you can base your differentiation strategy.

Subcontractors are primarily interested in marketing to general contractors. That's where they get the bulk of their business. But there are other ways to market subcontractor services. First, we're going to discuss marketing to generals, keeping in mind the decision-making process in many general contracting firms presented in the first part of this article.

One of the best things you can do to sell your subcontract services is to keep general contractors informed about any good upcoming jobs that you may have heard about. Include yourself in the job procurement process in the very beginning. Keep your eyes and ears open; when you find out about a lead, take it to a general who may in turn include you in the building team.

Familiarize yourself with the job, with the value added for the owner with an early finish date, and with your technical or production efficiencies that would help the general

Offer to help general contractors with project presentations. You won't always get a job, but you can make two marketing efforts at once—to the general and to the owner.

As a technical expert in your field, you are in a position to help out the general contractor by pointing out change order potentials. Sometimes change orders are a strong source of profit for contractors. A general contractor may want to take a job at an extremely competitive price if he's aware that a high probability of many profitable change orders exists. When you are able to point out ways the general contractor can be competitive and still make money, he'll probably return the favor by using your services.

If you want to work with general contractors who are involved in large government or utility projects, you might stress factors that are of particular importance in that area. Do you offer any on-site training programs that are designed to enhance job organization or boost productivity? Owners of large sites where construction continues over several years are

most concerned about productivity. The requirements for training are written into their contracts with the generals. If you can help general contractors meet those requirements, use that to your advantage in getting the job.

Once you get a good job with a good general contractor who pays on time and runs an orderly operation, try to build on that one job. Build it into an ongoing relationship that holds the potential for repeat work. Bush the job for the GC. Concentrate on planning and scheduling—make sure your part of the job runs smoothly. One factor that is integral to good planning and scheduling is your relationships with your suppliers. Do you know your suppliers? Can you absolutely depend on their lead time and delivery date? Have you worked with those suppliers long enough and often enough to use that strong relationship as a selling point to the general contractor? Can you practically guarantee the critical materials and equipment will be delivered when promised?

Another service you can perform for

the GC is to keep your work area clean and neat. Trash and odds and ends of materials lying around create an unpleasant atmosphere as well as a safety hazard. Other subcontractors may complain because their work progress is hindered by a messy job site. In short, make sure that you and your crew don't create any unnecessary problems. Help the work to flow as smoothly and productively as possible.

Sometimes you will need to do some market research on your own products and services. You need to know where your customers see weaknesses that need correcting or strengths that you can capitalize on. The best way to do this kind of research is to go to a company that just awarded you a job. Don't shake hands, get up, and walk away as soon as they sign the contract. Ask right then, "Can we take a few minutes so that you can tell me what we did right to get this job. Also I'd like for you to tell me some of the things we did wrong, so we don't make the same mistakes again. We're really proud to have this job. We're excited about working with you, and, as we look at our marketing efforts in the future, we'd like to know how to do a better job. Give me some inside information. What did we do right first of all?" That customer is going to enjoy telling you these things. You're telling him how smart he is in his selection process, and you're also asking him to give you advice on what you did right and what you did wrong. You're treating him like you think he's an expert—and he'll respect your wisdom in coming to that conclusion.

The more general contractors you get to know personally, the greater your opportunities to market your services. Join the trade associations in your area. Take an active role in their activities. Make presentations if possible at local and regional conventions. This kind of activity is marketing in its purest form—getting to know people, making them aware of your firm, arousing their interest in your capabilities, and positioning yourself to be asked to submit a bid or participate on a project. Exhibit 2 is a list of ways a subcontractor can market to general contractors.



Editor's note: To be continued in the April issue of Construction Dimensions.