BIGGER IS NOT BETTER
WHEN SEEKING SMALLER JOBS

When the market shrinks, contractors used to big projects must adopt a new sales strategy that doesn’t overwhelm small owners

By John R. Kubasek

After living in a world of $20, $40, $80 or $150 million construction projects, the industry has seen financing for these multi-million, long-term projects begin to disappear. With fewer “big jobs” available, contractors accustomed to larger projects must adjust their sights to go after more conventional types of construction of lesser dollar value.

Many of these firms, however, don’t realize different techniques are needed to successfully market their services to lower-cost construction projects. Therefore, these contractors find themselves in a dilemma due to the downswing in multi-million dollar projects that have occurred during the past few years. High annual volumes are nice to sustain with selected large projects, but can’t be maintained forever in a changing market.

For contractors making the adjustment to smaller building jobs, there are six “basic” rules for going after downsized work:

Avoid Instant Metamorphosis

Although the firm’s entire mind-set must ultimately be changed during the switch from large to small project strategies, do not attempt to achieve this metamorphosis over night.

Establish Realistic Investment Source

Too many construction firms believe marketing functions for acquiring small projects can be financed out of profits from the first project of this type. “Pay-as-you-go” marketing plans sound great on paper and in board rooms, but usually doesn’t work!

Contractors may have difficulty

The sensible approach is to form a team of key executives responsible for attacking the smaller-work marketplace. The team’s objective is not only to acquire smaller projects, but to set up management systems and field procedures for successfully executing this work as well. Team members should include management personnel knowledgeable in finance, marketing, actual field construction and general management.

Persons selected for the team must be sensitive and able to look beyond the way the firm currently operates. In some cases, because of the attitudes developed within the firm over the years, it may not be possible to form this team with all in-house personnel.

New people familiar with the smaller market may have to be hired. If mistakes are made in the formation of this management group, all other efforts are doomed to mediocrity or failure.

Six Basics for ‘Selling Small’

- Avoid instant metamorphosis
- Establish realistic investment source
- Develop new ‘picture’ of profits
- Make joint ‘white and blue collar effort’
- Devise new marketing approach
- Produce new sales literature
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Generating funds for a new marketing direction—when small- and mid-sized project owners have seldom done business with them? Instead, these contractors must allocate marketing funds from existing income or reserves, anticipating payback in one to three years. A new marketing strategy is a financial investment—not just a laborious effort.

New “Mind Picture” of Profits

Traditionally, contractors doing big projects enjoy substantial profits, if the work is well-managed. Even a 2 percent profit margin on a $600 million construction project equals a large dollar profit for most subcontractors. However, a 10 percent margin on a small office building brings only small dollar profits. This leads many contractors to wonder, “Yes, the percentage for smaller work may be higher, but the profit is much less. So why bother with the small job?”

The trick is to learn how to make money not on one or two small jobs, but on a string of smaller ones—because the cumulative profits of small jobs adds up to big dollars. A Rolls Royce dealer makes a sizeable profit selling only two luxury cars while a compact car dealer must sell 10 economy models to make the same profit. However, 10 times more people can afford to buy economy cars than Rolls Royces.

White and Blue Collar Effort

Construction company management should not institute major changes in direction, policy, marketing goals and procedures without considering the impact on field operations. Lack of sensitivity to field operations could prove disastrous when downsizing the workload, since managerial mentalities are not the only ones that must be changed.

Men in the field familiar with building gigantic projects must change their ‘mind-set’ as much as the firm’s top management personnel. Field productivity must be substantially increased, for all wasted motion, mater-
New Marketing Approach

Many companies that have successfully switched to the small job market hired outside consultants to reorganize their marketing department.

Consultants must teach marketing department members the “search-acquire” function. Finding $500 million projects is not difficult—they are too big to hide under a bushel for long! Locating and successfully pursuing the smaller project is far more difficult, and in many cases poses unique problems.

To acquire smaller projects, contractors must get to the owner when the job is but a “gleam in the back of his eye.” That sensitivity and pursuit is something big contractors often don’t know how to do. Therefore, such expertise must be bought or developed.

New Sales Literature

A large contractor may have exemplary marketing materials that sell its corporate image and abilities quite well—to big owners building big jobs! Such promotional material, no matter how brilliantly conceived, is useless for the small project marketplace. So, be prepared, both intellectually and financially, to develop a totally new “line” of sales literature promoting small job capabilities.

Avoid giving an impression to small owners of being too big. If contractors are well-known, or simply known for building large projects, small owners may be overwhelmed. A small owner worries he’ll get “lost in the shuffle”;

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that he won’t be able to get through the corporate maze; that he can’t talk to the president about his building problems; and that it’s all too expensive for him.

In the small project market, sales materials must disprove many of the capabilities and ways of doing things contractors have been trying for years to prove to big owners.

Small-job promotional efforts should emphasize quality construction, done on-time at a competitive price with little or no cost overruns. Person-to-person communication should also be stressed. Highlight the one-on-one relationship developed with each and every building client.

About the Author: John R. Kubasek is president of John R. Kubasek & Associates, Inc., Staten Island, N.Y. Founded by Kubasek in 1963, the company consults on general management, marketing and public relations with general contractor and subcontractor clients, both nationally and internationally.