A New Perspective on Marketing

As markets progress from new to mature, savvy contractors must keep on top.

By Joanna J. Johnson

One of the most basic principles of marketing is the principle of product differentiation... making a product different, at least in the consumer’s perspective, from other competing products. We’re constantly exposed to marketing efforts that attempt to appeal to certain selected customer segments by building a creative, selective product “image.”

According to Theodore Levitt in his book, The Marketing Imagination*, any product can be differentiated. He builds a structure, a way of looking at products and product differentiation that encourages a new way of thinking about the marketing process. To apply Levitt’s framework to the construction environment, the only thing that’s different is the point of view, the rationale behind marketing, particularly the marketing of industrial products like construction services.

Sometimes it’s difficult for those of us involved in construction to think of our services as a product. We take plans, specifications, and engineering documents and use them as the basis for purchasing materials and providing labor to implement the directions and construct all or part of a building, bridge, parking lot, industrial facility, or various other structures.

Most people think of products as things that are manufactured and sold to many people; products are physical, tangible things that we see, we like, and we purchase. The concept of service work itself being a product is new and somewhat abstract—but, for the rest of this article, let’s think of the construction services you offer as the “product” you have to sell.

According to Levitt, there are, in fact, several stages of product development. Initially, a product is generic. Construction was initially done to provide people with a primitive shelter from other animals and from the elements. Through the centuries, construction has become more diversified according to human needs. Construction is still, however, a way of modifying our environment to accommodate our needs.

We now have different kinds of contractors who fulfill different kinds of needs: heavy contractors, bridge and tunnel contractors, commercial specialists, industrial contractors, residential contractors. In fact, these contractors rely on subcontractors who are also specialists: wall and ceiling contrac-

tors, concrete and asphalt contractors, electrical contractors, mechanical contractors. Sometimes, the subcontractors even hire another tier of subcontractors to further specialize the building process. An insulation subcontractor might work for a mechanical contractor who’s working as a subcontractor for a general contractor.

In order to apply Levitt’s theory of product differentiation to our fragmented industry, we need to think of each construction specialty as providing a basic *generic* product. The capability of delivering a generic product simply gives the seller the right to play in the game, to compete in the marketplace.

But, that’s not enough. The fact that you know how to do drywall contracting and hang out a shingle saying you offer those services simply isn’t going to cause you to sell drywall contracting services in competition with other firms in your area. Generic products typically cannot compete in a viable fashion with products that have become “expected” by the marketplace. Contractors must think about making their services special within the range of the particular generic type of construction.

The *expected* product is the next stage of product development. What does the customer expect based on product development up to that point? Let’s think about a commercial office building. A commercial office building is merely a place with space available for people to use while conducting business. It could be a building with no heat, air conditioning, electricity, or telephone service, with no interior partitions.

But, customers who rent commercial space have come to expect all those comforts as integral parts of a functional place to do business. It would be impossible for a commercial contractor to sell a structure with no basic amenities to today’s customers. Once the customer’s expectations are established, there’s little way for the true generic product to succeed in the marketplace.

And, once the customers’ expectations are established, they immediately begin to look for more improvements, more satisfactions for more sophisticated needs. Sellers then have to develop new benefits.

In time, customers become educated to what they can reasonably expect from sellers; their expectations grow. The product then becomes the *augmented* product. New expectations are anticipated by the seller and met with further product refinements.

Now, during this time the product has been developing, the marketplace itself has also been developing. At about the time the product has reached the stage of the “augmented” product, the market for that product has typically matured. Profits begin to depend on cost effectiveness within a fairly stable price range.

The marketplace and the product have reached a point of sophistication beyond which changes must be more creative, more imaginative. The seller is under pressure to explore the “possibilities” for the product in order to maintain a competitive position in the marketplace.

The product, along with its possibilities, moves into the realm of the *potential* product. What is the product now? What can it possibly become in the future to enhance its salability?

### Relating to Construction

For many years after World War II, the construction industry as a whole was in a growth market. Of course, there were the usual responses to the natural economic cycle of expansion and recession, but, in every expansion period, the marketplace provided more demand for services than there was capacity available for providing services; contractors could price high enough to include healthy profits for themselves.

In the current marketplace, activity is up. But, the capacity available in the industry is in such abundant supply that customers are control-
ling prices. In order to get work, contractors must do the work at the market price.

Finding themselves in a profit squeeze, contractors are forced to concentrate on careful cost containment during production in order to make money. Those characteristics are, in fact, the characteristics of all mature markets. So, the construction industry is entering a new phase—no longer a growth market, but a mature market. It’s doubtful that the industry will, in the normal course of economic events, reenter a growth stage where profits are easily incorporated into a seller-controlled price.

Think about this mature market syndrome in relation to construction services. Contractors have to start thinking about the “possibilities.” How can they extend their services in ways that establish new expectations, that take the lead in opening up new service-oriented means of providing customer satisfaction, that provide differentiation in the marketplace?

The situation described above challenges the imagination and the creativity of contractors to develop new ways to get customers and new ways to keep customers. Contractors, even some of your competitors, have become sophisticated businesspeople. As a result, customers are becoming more sophisticated in their demands.

The more knowledgeable the buyers of construction services are, the more likely they are to respond to the contractor’s image and reputation. That’s where the marketing concept comes into play. You build a perception of your image and/or your reputation in the buyer’s mind through your marketing efforts.

What makes a product, any product, complete? The product fills needs, solves problems, satisfies desires. As such, most of the time, it’s a complex system of value satisfactions. As a general rule, the more expensive the product or service, the more complex the system of value satisfactions.

Because of the complexity of many construction projects, buyers of construction services learn to have many different types of questions and concerns. Sometimes, because the contractor is closely involved with the project, those questions and concerns seem so obvious as to need no satisfaction or explanation. But, from the customer’s point of view, satisfying the obvious may be exactly the kind of reassurance or “value satisfaction” needed.

The potential product consists of everything that is already being done PLUS everything that’s possible. It depends on finding and seeing new customer needs; it also depends on changing conditions in the marketplace.

The effect of changing conditions in the marketplace is particularly important in construction. Economic cycle exert tremendous influence on the industry. At different times, different types of work are called for to fill the needs and solve the problems of other sectors of the economy. Contractors can and do adapt their services to perform whatever type of work the marketplace deems valuable.

But, beyond the ability to adapt to changing conditions, contractors need to consider how they can create new possibilities for their services, how they can direct the construction marketplace to their benefit by uncovering needs of which customers might not even be actively aware.

Thinking about the potential product requires imagination and creativity to develop new ways to solve problems. That kind of thinking centers around the desires and needs of the customer rather than the kinds of construction we can do or our technical abilities to construct. Creative thinking about the potential product demands that you turn your thought processes inside out and concentrate on the customer point of view.

The Customer Point of View

Most consumers don’t buy “things” just to have “things.” They buy to fill needs, or better yet, they buy to satisfy desires to solve problems. If the purchase is a small one, the problem or desire is probably a small one, also.
Small purchasing decisions can be influenced by ads in magazines or attractive “candy bar wrappers.”

But, purchasing decisions about construction services fill far larger needs and cost far more money. Those big decisions are not easily influenced by point-of-sale techniques. They rely heavily on solving problems and offering value satisfactions. Therefore, the process of differentiation relies heavily on finding out what the customer’s wants, needs, desires, or problems are.

Most of us are aware of the power of price as a differentiating factor. Economics textbooks tell us that market questions are resolved by pricing strategies. In practice, however, differentiation solely on the basis of price is rarely enough.

Perhaps what price really differentiates is different customer segments rather than individual products or services within a customer group. Within a customer segment, appearances and other cosmetic differentiations become important.

For industrial products such as construction services, price variations are likely to cluster or segment around certain user groups. The segmentation may depend on the size of the customer, the way the customer buys construction services—negotiation or hard bid—or the type of use planned by the customer for the project.

There may be, also, some geographic segmentation, but that’s rarely as significant a factor as some of the others. So, we need to think about differentiation within each segment since we’re talking about setting one contractor’s services apart from the competing services for another contractor.

In construction, perhaps more than any other industry, successful differentiation of the services offered requires careful attention to the process as well as to the final product. For example, two contractors might be able to build exactly the same work for exactly the same price. From the customer’s point of view, at that point the two contractors are equally good choices. But, maybe one of those contractors uses an effective scheduling system that guarantees certain milestones will be accomplished at certain times.
If the contractors are subcontractors, the customer—a general contractor—might be concerned about the way all the subs on the job will work together. A demonstrated ability to schedule manpower, material, and equipment may be as important to the general as the price charged for the work.

And, if the customer is an owner dealing with two general builders, a scheduling system guaranteeing some dates for reliable occupancy planning will put dollars in the owner’s pocket. We’re talking about raising the level of satisfactions that your customers expect so that they will select your services over those of your competition.

There are several extensions of service which are commonly offered to buyers of construction services in the present market. Design/build is a process-oriented concept that offers an extension of service to set certain contractors apart from others. Value engineering differentiates some construction contractors. The ability to fast-track jobs which for one reason or another have premiums on the time required to complete the work is still another, quite familiar, extension of service that some contractors use to their advantage.

All of these capabilities are ways that some contractors currently meet customer needs by refining the “process” of construction. Using any of these different processes, the final physical project might look exactly the same upon completion; it’s the method used to complete the project that sets one contractor apart from another.

Some of these specializations in process have come to be expected in the marketplace. There are competing contractors who offer these services for nearly every type of work. But, you get the idea. The potential product in construction—what’s possible for the product—is probably highly service-oriented, following the lead of the marketplace’s current expectations from construction.

The first thing that customers expect is, of course, that the project be built according to the plans, specifications, building codes and/or engineering documents. In addition, the marketplace has come to expect a certain price level, certain delivery requirements, certain scheduling considerations and agreed-upon payment terms as a part of the “package” of construction services sold by the contractor.

So, the process of delivering construction services is already a part of the “expected” product. Scheduling, delivery requirements, and payment terms are, in construction, parts of the process rather than parts of the product itself.

Any development or extension of service to meet needs has to follow the customer’s expectations. Perhaps many contractors ignore a valuable marketing opportunity by not taking greater advantage of their ability to market their expertise in the “process,” which we’ve already stated is often as important as the finished project.

No matter what kind of product you buy, there is always some degree of risk associated with the purchase. In the extreme, you go to the supermarket and buy a deep red, perfectly formed apple. You expect that apple to be white inside-firm, crisp, and juicy. Yet, when you take the first bite, the apple is brown, not crisp and not juicy. Somewhere along the way, that apple was frozen; the inside was damaged while the outside remained in great shape. But, typically, you don’t worry about the risk in buying an apple. It doesn’t cost you much; and you can see that exact apple and pick it out yourself before you pay for it.

Other purchases, however, have more risk associated with them. You can’t see the exact product you’re going to take home. Maybe you can’t even see one that’s supposed to be just like it. Perhaps
you have to rely on pictures or descriptions of the product you want. Let’s follow through with some further examples.

When you go to the store to buy a lawnmower, you can look at a lawnmower that’s exactly like the one you’re going to buy. You may even be able to buy the same lawnmower that’s on display. The salesman tells you how you can expect this lawnmower to perform, but you never really know how it’s going to perform until you try it out over a period of time. A lawnmower isn’t very expensive (unless you want to compare it to an apple) and it’s a tangible product that you can see. More you make the purchase. Nevertheless, you probably feel some anxiety about that lawnmower until you have a chance to test it out yourself on your own lawn.

Now, think about buying a car. You order the car to all your personal specifications. You look at other models, other styles and color combinations while you’re at the dealer. You get all kinds of paperwork signed that states exactly what your requirements are, what your guarantee is, and when delivery is to take place. The dealer provides all kinds of assurances that the car you receive will be the quality product you expect. But, in the case of this car, you have much more anxiety than you did about your lawnmower.

You’re anxious for its arrival, to see it, to touch it, and to drive it. You need the final reassurance of the car itself to relieve your anxiety.

We’re talking about the tangibility of the product. The more tangible the product is at the point of purchase, the fewer reassurances you need about the product you’re purchasing. The apple is quite tangible. Even though you don’t know exactly how that apple is going to taste, you know what most apples taste like so your risk is quite small. The lawnmower and even the car are tangible to a great extent.

But, no service work is tangible . . . touchable, seeable, or definite in its outcome at the point of purchase. Construction services, from the point of view of the customer, are extremely risky. The customer is required to perceive or imagine the final outcome.

Selecting a contractor to help achieve this imagined outcome is a highly personal and very expensive decision, complicated by the fact that the construction process cannot be fully comprehended by your client. Not only are the decisions expensive, but the outcome is so intangible that customers often don’t even know what their expectations are until those expectations aren’t met, until the “unknown” need isn’t satisfied.

**Tangible Marketing Reassurances**

As we’ve already stated, even the most tangible, most “known” product cannot be thoroughly experienced in advance. The most complex blueprints and architects’ renderings don’t completely capture the ins and outs of the final constructed product, nor do they capture the ease with which the construction process proceeds.

Parts of the process like meeting the schedule and complying with delivery dates for certain stages of the project may be as important to the customer as the physical construction itself. Contractors sell
process; they sell service. Contractors promise to deliver satisfaction. They sell promises.

Customers who buy promises understandably need reassurance that the promises will be or are being kept. On any construction job, there are any number of things that might cause the fulfillment of the original promise to be different than was originally agreed.

Ever heard of a “change order?” What about site conditions that prove to be different than expected? What about streaks of highly unusual weather? What about plans from the architect that contain elements that simply can’t be constructed or that specify methods giving rise to built-in flaws after construction? All those things tend to cause many customers great anxiety.

Satisfying customers requires that we relieve their anxiety. And, when you’re dealing with a product that doesn’t exist at the time of sale, that anxiety may even double or triple AFTER the contract is signed. Once the customer is committed to the purchase of an expensive, intangible product, it’s almost inevitable for that customer to have second thoughts.

The real point here is that the sales presentation, the proposal, becomes a surrogate for the reality of the product. Any quality image or other measures of reassurance should be obvious in the project presentation.

All people, particularly customers, use appearances to make judgments about realities. When you think about marketing construction services from this point of view, it’s easy to see that the contractor and the contractor’s reputation are, in fact, part of the product in the customer’s perception.

Now, you may be saying, “But, I work in the bid environment. The only thing that really matters is price.” Maybe for that first job with a new customer, that’s right. But, if you get that first job and you blow the opportunities that occur in the process of completing that work, more than likely you’ll never have a second job with that customer—no matter what your price. So, even in the bid environment, your image and your reputation are important parts of the product you sell.

Tangible presentations are one way of ensuring that the appearances on which the customer bases his judgments of reality are in your control. You want to be able to mold customer opinions. By using rendering of the finished product, drawings of construction techniques that will meet certain customer needs, and CPM charts to “picture” the process, you will make it easier for your customers to grasp the reality of the service you’ll be performing.

For example, we know a contractor who does a great deal of historic preservation work. One project which was highly desirable was a renovation of a theatre of national historic significance. One of the customer’s needs was to preserve the historic character of the theatre; another was to continue to use the theatre during the renovation process.

Recognizing that continuing and pleasant use of the theatre during restoration would cause the most anxiety to the customer, this contractor developed a series of multicolored transparencies that showed each step of the renovation process and its expected interferences or lack thereof, with the ongoing operation of the theatre.

He thought carefully about how
to keep interference at a minimum and used the tangible “pictures” of progress to relieve the customer’s anxiety. He focused on the customer’s anxieties arising out of the unknown and came up with a tangible, seeable way of reassuring the customer that promises of “little interference” could and would be kept.

The customer’s perception of reality is also influenced by the people from your company who have personal contact with customers or who have a managerial voice in the construction process. Those people need to be properly informed about customer concerns, special situations, and any problems during the prebidding stages of the relationship. Otherwise, the final product won’t be RIGHT in the customer’s eye.

Contracting jobs usually depend heavily on assertions and promises made in advance. When any of those promises are overlooked because managers on the job are unaware of the problem, the customer’s confidence in the value of the final product is undermined. Many times, your company will benefit by including superintendents and/or project managers in meetings with the customer. They get a better idea of the way the customer thinks and the qualities that are important to the customer if they have a first-hand opportunity to “understand” the personality of that customer.

Even if arranging personal contact isn’t feasible, you will probably benefit by talking with the field managers on your projects about the customer’s personality type, the concerns and worries that you’ve noticed, any promises you’ve made that might be a little unusual, or any other individual considerations about the customer or the project. The more understanding your field managers have, the more likely they are to make sure that nothing avoidable happens to make the customer unhappy.

This concept surely applies to subcontractors where the customer is a general contractor, just as it applies to generals whose customers are owners or developers. Once again, we’re talking about reassuring anxieties, satisfying value issues. Only this time, the anxieties and value issues are satisfied by the “tangible” personal relationship rather than schedules, presentations, pictures, renderings or models related to the construction project itself.

We’ve been talking about getting customers. To get customers to buy an intangible product like construction services, you make the product as tangible up front as possible. You want to remove as much of the customer’s anxiety about what the product actually is or will be as you can.

No matter how hard you try to make the product tangible, many customers won’t know what they’re want until they don’t get it. Then, they say, “Aha, I was supposed to have this. Even though we never talked about it, it was in my mind. I just assumed it was included. You must have known I was depending on it.”

Keeping customers is a natural extension of getting customers. To keep customers, you regularly remind them of what they’re getting. When delivery takes place over a long period of time as it does in construction, customer
anxieties can accrue. Satisfying anxieties is still the name of the game. One way to do this is to tell your customers, on a regular basis, what you’re doing for them. This type of marketing is relatively inexpensive and extremely valuable. Some ideas you might consider are newsletters, phone calls, regular visits, and, in some cases, non-business socializing. If it’s convenient, invite your customers to visit one or more selected job sites. This type of marketing technique is workable for subcontractors as well as generals. One goal for a subcontractor might be to be among the top three or four subs on select bidders lists for half a dozen generals. Building a strong personal and professional relationship with those generals is one way to make progress towards that goal. If you install a new computerized scheduling or estimating system that causes some part of your service to improve, make sure that your customers know about your new capability. Keep your customers informed about what they’re getting. Most contractors have another option for keeping customers informed that require very little if any extra work. For any job that lasts over a minimum of a few months, you can send your customers progress reports. These progress reports can be copies of various job control reports that you would generate anyway like a percentage of completion report (in terms of activities completed, not the cost incurred). You might include a list of milestone dates—projected versus actual. You can list any outstanding decisions that are affecting progress on the job, list any weather-related delays, or change orders requested. Exhibit 1 shows several items that could be included in a progress report. These progress reports have three very important benefits. They reassure your customer about the state of the project. They docu-

Exhibit 1

MONTHLY JOB PROGRESS REPORT

1. Distribution List
   Owner(s)
   Banks or Bonding Company
   Architects
   Engineering Consultants
   Interested Managers within Contracting Company
   Subcontractors

2. Short Written Project Summary

3. Projections for Work in the Next Month

4. List of Milestone Dates, Projected and Actual

5. Progress to Date, Percentage of Completion, by Phases

6. Contract Status
   Analysis of Contract Status in Dollar Terms
      Any additional costs resulting from approved change orders
      Any potential change resulting from requested change orders
      Any possible penalties or bonuses associated with completion dates
   Analysis of Contract Status on a Time Basis
      Time lost to delays
      Extensions requested
      Extensions granted
      Extensions resulting from change orders
      Net change in contract duration
      Estimated completion date
      Percentage of contract time expended
   Request for Change Order Log

7. Items Requiring Action by Owner; Architect/Engineer or Contractor
   Item
   Person Responsible
   Date Requested
   Critical Activities Impacted

8. Description of Work Performed this Month
   Listed by Contractor and Subcontractor
   Number of people on the job
   Work items accomplished

9. Copy of All or Part of CPM, Completed Activities Highlighted

10. Contractor's Application for Progress Payment

11. Shop Drawing Submittal Schedule

12. Photographs of Different Parts of Job, Taken from Different Perspectives

Any or all of these items might be included in monthly job reports with little cost to the contractor. The reassurance provided to the customers, lenders, and other interested consultants such as architects and engineers who might be valuable sources of leads will be powerful.
ment the effects of any changes in time or progress since the last report. And, they force your project managers or project superintendents to carefully track the status of the projects under their control.

**The Contractor/Customer Relationship**

For contractors, the customer relationship really begins after the sale is made. Rather than being through with the customer until the time of the next sale, the relationship becomes transformed into an interdependence. Each party has needs that will be met by the other party during the course of the project.

This ideas requires a whole new strategy from the contractor. In order to make this new interdependent relationship successful, the seller needs to recognize and accept that the buyer’s motivations are often very different. The buyer and the seller have different capital structures so their need for cash on hand is different. As you well know, the flow of progress payments is a dramatic evidence of these different needs.

Customers operate under different competitive conditions and costs than sellers. Whether you’re a general contractor working for an owner or a subcontractor working for a general, the competitive conditions under which you, the seller, market your services are different than the competitive conditions affecting your customer. These competitive pressures force very different mindsets on the parties involved in a construction contract and invariably give rise to differing demands and requirements from both sides.

Sellers and buyers have different motivators or incentive structures, different purposes, different reasons to want to win. The “why” behind someone’s actions becomes extremely important if you’re working very hard to develop and maintain a profitable relationship.

When you understand the why behind a person’s actions, you will find it much easier to retain some control over the outcome than when you simply react to those actions which you have taken at face value.

In any buyer/seller relationship, it’s up to the seller to take the initiative in creating a positive and productive situation. The more complex the system or the product, the more complex the anxieties that will accrue during the delivery process. By keeping in mind the inherent differences between you and your customers, you will be better able to satisfy their anxieties and maintain the kind of relationship that benefits both parties.

During this period of time that the construction project is being delivered, the contractor begins to develop certain dependencies on the customer that increase as the project draws to a close. As contractors, you may be dependent on your customers for market information. It’s from your customers that you can glean ideas about needs in the marketplace that you can fulfill with either a new or an extended service.

You learn about your competition from customers. You also get evaluations of the work that your company does from your customers. There’s really no doubt that you need your customers more than they need you; you are dependent on those people for your future business. When you do a better job than your competitors of satisfying customers’ anxieties, you’re really making your customers dependent on you. Their dependence will bring them back again and again for repeat business.

The entire sales process, from the project presentation to the final delivery of the product, is in fact a cycle of interdependencies. If you can think of your customer relationships in this way, you’ll be able to see ways that you can offer additional reassurances or extended services. Making this cycle of dependencies a positive force works to your benefit as well as your customer’s.

The issue of management systems also bears some thought with relation to marketing construction services. Management expertise and a highly developed system for managing manufacturing processes gave rise to the great leaps in productivity in the manufacturing environment. That expertise in management systems, at the same time, increased the reliability of the products. Customers don’t need to be concerned about the quality of products coming off assembly lines in quite the same way as they used to. The products themselves offer more complex options, and prices are usually well under control.

If we could develop on-the-job expertise in management systems in the construction environment, we should be able to offer those management strengths as benefits to our customers. Stronger management systems would open the way for great increases in productivity as happened in manufacturing. They would also eliminate a great deal of the risk element from the customer’s point of view.

If the customer could be told in advance, “We handle scheduling this way—from the front office right on down to the workers in the field. We schedule all our jobs on a big schedule and break down that overall schedule into individual jobs in order to make the best use of our available manpower and equipment. That schedule is further broken down into daily schedules for field crews.” Or “Our system for materials ordering, delivery, and handling works like this. We have been able to save ‘X’ number of labor hours and ‘X’ percentage of materials cost since we instituted this tightly controlled system.”

Some tools needed to make this happen in construction are already available. We have personal com-
puters and effective software that are reasonably priced to make management’s job easier. We have effective and cheap communications systems to provide almost instantaneous communications as frequently as needed.

We just need to think about the best way to coordinate these giant leaps in “tools” with the management process in construction. The more you can think about building a sound management system, the more you will have to offer your customers in terms of reliability and values satisfactions.

Perhaps marketing construction services doesn’t depend on a corporate brochure or slick sales aids or using direct mail or telemarketing efforts. Maybe the basic ingredient of a successful marketing effort is in the attitude of the contracting company itself. The more concerned your company is about meeting customer needs, the more apparent that concern and consideration will be to your customers.

True customer satisfaction implies that management takes responsibility for making the customer’s concerns understood at all levels of the organization. An assumed customer orientation on the part of a few select managers without a real commitment to the customer on the part of other employees in the organization will fall far short of complete customer satisfaction.

Management, however, is responsible for initiating new services, new efforts to meet needs in the marketplace. By giving some thought to the ideas of using your marketing efforts as a way to relieve customer anxieties, to provide reassurance, you will help direct the attitude of your organization toward a valuable customer orientation. You will be able to create some dependencies on you and your company that should keep your customers coming back time after time.