

# Develop an effective marketing plan for your construction company

*Step-by-step instructions with a sample plan showing how they are used*

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**M**ost of us who spend our lives in the construction industry enjoy solving customers' problems. In fact, we really enjoy solving the hard ones. If we are going to survive in the construction industry we have to be knowledgeable problem solvers. It's a must. But the more aggressive we become in solving other people's problems, the more we create a serious problem for ourselves—getting paid a fair profit for giving the customer exactly what he wants and needs. To assure ourselves of that reasonable profit we must also become effective marketers.

Unfortunately most of us don't learn anything about marketing in engineering school or out on the job site. Since the "school of hard knocks" doesn't necessarily teach us how to find the prospects who will pay us a fair profit for value received, this article will explore step-by-step the development of an effective marketing plan for your construction company.

For our purposes, marketing is defined as the sum total of all the things that you have to do to get the prospect to use your products and services. In addition to preparing a marketing plan, marketing includes such specific functions as:

- Finding qualified prospects who have a need for your construction products and services.
- Creating the proper image so the prospect calls you when he has a need.
- Developing a system so you call on the right prospect at the right time.
- Applying the principles of persuasion so you can convince the prospect that your proposal is his best buy.

- Handling customer complaints so that you develop satisfied customers who will help you get business from other companies.

A contractor who can perform all of these functions with confidence will find the road to success a lot easier. He will be an effective marketer.

## IMPORTANCE OF THE MARKETING PLAN

A company without a plan is like a ship without a rudder. It moves aimlessly in the marketplace reacting to pipe dreams instead of the real opportunities. The company's team members are waiting for good opportunities to come to them. They get a lot of experience turning out preliminary estimates, or bidding on jobs you will never get. If your company has a marketing plan, your team members will have specific goals to reach and a plan of action for reaching those goals. They can make things happen! You don't have to wait and worry.

## GETTING THE PLAN STARTED

It takes a lot of uninterrupted time to think through an effective marketing plan. Consider getting away from your office and the telephone while you are putting together your plan. You will save time and eliminate frustration if you minimize interruptions during the planning period.

Get all of your key people involved in making your plan. People are more willing to follow a plan that they helped to develop. Give yourself and everyone else involved a deadline for the final draft of the plan to help overcome the tendency to procrastinate. Be sure that "objectives" are turned into "work." Plans are particularly useful if they tell what work must be done to reach the objectives.

Don't spend a lot of time trying to see what lies dimly

in the distant future. Use the predictions of others who watch the economy and who are paid to predict trends. Their predictions are summarized in construction industry magazines, the Wall Street Journal, other business periodicals, newsletters and various government reports. Assign someone the responsibility to keep informed regarding predictions of the economic future. Then you will be less likely to make a pipe-dream plan or to miss real opportunities.

If the future looks very uncertain in your market area make alternate "what-if" plans. Make a plan for what you expect to accomplish; a second plan that you can follow if the opportunities in your area are better than expected; and a third plan that you can fall back on if there are fewer opportunities than you anticipated. The time and energy spent thinking through your "what-if" plans will enable you to steer your company on the proper course, no matter what turn the economy takes.

## DEVELOPING THE MARKETING PLAN

Here are some logical steps to follow in developing the marketing plan for your company.

1. Establish the goals, strengths and assets of your company.
2. Determine the needs of your potential customers.
3. Forecast the total size of your potential market in your territory.
4. Analyze the strengths and weaknesses of your competitors.
5. Develop an action plan which you can afford.
6. Establish a system for monitoring results. Each of these important steps will be discussed in some detail in the following paragraphs.

### Establish the goals, strengths and assets of your company

During this important step you and all of your key team members should discuss and answer these important questions:

*What kind of business are you in today?*  
*What kind of business do you want to be in 5 years from now?*  
*What are your company's strengths?*  
*What are your company's weaknesses?*  
*What is your preferred way of doing business?*  
*What are your goals for this year?*  
*What are your goals for the next 5 years?*  
*What assets do you have to work with?*  
*What is your past record?*  
*What kind of business are you seeking?*  
*How far are you willing to travel to get that business?*

A fairly easy way to accomplish this step is to give each key team member the list of questions in advance and ask him or her to think seriously about each one. Then during a relaxed meeting away from your office, discuss each question. Combine the individual answers to form a consensus.

### Determine the needs of your potential customers

Again you and your key team members must discuss and agree upon the answers to these important questions:

*Who are your customers and what are their specific needs?*

*Are there people in your market area whose needs are not being met?*

*Who should be your customers?*

### Forecast the total size of your potential market in your territory

This step involves doing some market research. You want to determine how much business you would get if you sold every job in your potential market. You can hire a consulting firm to do the market research for you, or do it yourself. In addition to utility companies, commercial banks, and large construction material suppliers, some other good sources of data for use in market forecasts are:

- U.S. Department of Commerce and other Federal or local government offices issuing economic studies
- Government agencies issuing building permits
- State college or university bureaus of economic research
- F. W. Dodge Division of McGraw-Hill
- Local or regional planning commissions and chambers of commerce
- Large real estate brokers and local developers
- Construction industry associations and magazines

### Analyze the strengths and weaknesses of your competitors

This step requires some detective work. You first must identify your competitors. Then analyze their strengths and weaknesses as a key to determining your own best opportunities. Three simple steps will keep you informed:

Talk to your competitors' customers.

Look at your competitors' work.

Keep an up-to-date file on each competitor.

## Develop an action plan which you can afford


After gathering the data and drawing your conclusions, work with each key employee to develop a list of objectives that must be accomplished to achieve the company's goals. Be sure to assign responsibilities and deadlines to those people who must carry out the objectives. Analyze the cost of carrying out each phase of the plan. Be certain you can afford it. With an affordable action plan such as that shown in the planning example, your entire company can focus on common goals and make things happen.

## Establish a system for monitoring results

The successful businessman is the one who knows how to control the actions of his company. The process of control requires four basic steps:

1. Make a plan.
2. Measure results.
3. Compare results with the plan.
4. Take corrective action when necessary.

A forgotten plan put away in a drawer is a sad waste of time and effort. Once the plan is completed, establish a routine system so progress can be monitored and everyone concerned kept informed. The marketing plan becomes the road map that guides your company toward the goals you have set. It will be an extremely valuable tool if you will use it.

The sample marketing plan (shown here) can serve as a guide when you make your plan. 

35-YEAR PROFIT PLAN FOR MILLER CONSTRUCTION COMPANY (thousands of dollars)			
	Sales*	Cost of sales	Pretax profit**
Last Year	\$ 4,000	\$ 3,400	\$ 600
1982	5,000	4,250	750
1983	6,250	5,312	938
1984	7,812	6,641	1,172
1985	9,766	8,301	1,465
1986	12,207	10,376	1,831
* 10 percent inflation plus 15 percent real growth = 25 percent growth per year.			
** Minimum pretax profit of 15 percent of sales.			

An extremely important goal for us is to be sure we maintain a minimum of 15 percent pretax profit on all of the projects that we design and build.

During 1982 we want to start our first industrial park development so that we can begin to develop a tax shelter for some of our profit.

1982 OBJECTIVES AND ACTION PLAN		
	By when	By whom
OBJECTIVE: Obtain firm contracts for a total sales volume of \$5,000,000		
	12-31-82	Sales staff
ACTION PLAN:		
1. Send letter and new company brochure to all past customers.	1-31-82	Sales staff
2. Increase advertising in Chamber of Commerce magazine and Houston Business Journal.	2-15-82	Miller and Jones
3. Increase involvement with the Chamber of Commerce Industrial Development Division.	Continuous	Miller
4. Work closely with commercial-industrial real estate salesmen.	Continuous	Robinson and Patton
5. Design and estimating departments to meet the commitments of sales departments.	Continuous	Marshall and Hutson
6. One salesman to be in the office at all times during office hours.	Continuous	Sales staff
7. Each key team member continually strive to improve his personal negotiating ability.	Continuous	Entire staff
8. Each key team member remember and remind others that we must keep our commitments to customers.	Continuous	Entire staff
OBJECTIVE: Develop the ability to get financing for those hard-to-finance projects.		
	6-30-82	Sales staff
ACTION PLAN:		
1. Become more knowledgeable in the field of mortgage banking.	3-1-82	Miller
2. Establish good mortgage banking contacts.	6-30-82	Miller
3. Identify prospects who need help with financing.	Continuous	Sales staff
OBJECTIVE: Develop a good start on our own industrial park project.		
	12-31-82	Entire staff
ACTION PLAN:		
1. Find an ideal piece of property that we can afford.	3-1-82	Sales staff
2. Purchase the property.	3-31-82	Miller
3. Find prospects who will build on the property.	Continuous	Sales staff
<b>Editor's note:</b> Information in this article is taken from the marketing seminar presented by Jack Miller at the World of Concrete. The text is copyrighted © by Group Communications, Incorporated, 1981.		

## **SAMPLE MARKETING PLAN**

*Miller Construction Company  
Houston, Texas*

### **Our business**

We are currently design-build contractors specializing in the construction of commercial and industrial building projects within a 100-mile radius of Houston, Texas. We concentrate on serving the small-to-medium-size company. We seem to operate best with the entrepreneur who is a decision maker.

Within the next 5 years we would like to add to our business the ability to get financing for a large number of our potential customers. We would also like to be involved in the development of industrial parks and other real estate projects so that we can develop a good tax shelter for some of our profits.

By 1987 we would like to be known as a company which can satisfy the complete construction needs of the commercial-industrial building prospect. Therefore, we must be able to provide service in the areas of financing, design, turnkey construction, and leasing when desired.

### **Our strengths**

We are good designers and experienced builders. We take advantage of tilt-up concrete panels and other compatible construction systems to truly give the customer more building per dollar invested. Fortunately, by using the talents of good subcontractors, interior decorators and landscape architects, we have developed the image of being quality builders. We

make an extra effort to satisfy our customers' needs. Our company is truly service-oriented. We respond quickly. We love to solve the difficult or unusual building problems.

### **Our weaknesses**

Sometimes we get carried away. Occasionally we design a project that the customer is unable to afford. When we face this problem we must make the decision to reduce our profit margin or show the customer how to cut out certain features in order to get the project within his budget.

It is very difficult for us to compete with the "shade and shelter" builders. If price is the most important consideration, we will lose most of the time.

### **The ideal customer**

The ideal customer for us is an entrepreneur who has a special industrial or commercial problem to solve; he needs a building which will create a quality image; he needs help in solving a special design problem; or possibly he needs help in finding financing for his project. We particularly enjoy the projects which require creative planning and problem solving.

### **Our goals**

We have carefully analyzed the needs of our potential customers plus the available market forecast information for our territory, and we believe that we can maintain a 15 percent real sales growth per year without dramatically changing our organization, our pricing policy, or our marketing approach.

### **Our competitors**

There are over 1000 general contractors in the Houston telephone directory. Many of them are highly competitive. Very few of these contractors have the experience or ability to help their customers find funds for difficult-to-finance projects. Only a few of them have moved into industrial park development. Therefore, we feel that the areas of finance and industrial park development are our best opportunities.

PUBLICATION#C810889

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