



Meet ROI

Marketing Metrics Survey Results

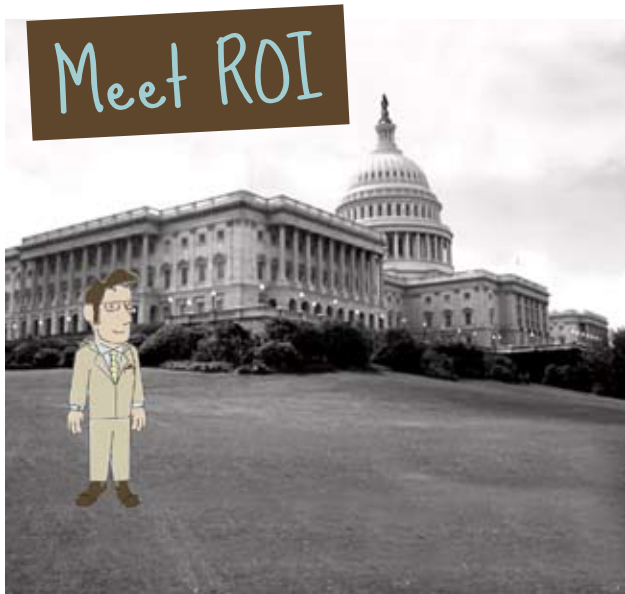
from **wals communications**



STUDIOS
wals 

If you're an architect, engineer or contractor, you're losing money, time and even market share because you don't place enough value on strategic, business, marketing planning and metrics.

How do we know? Because we did a survey that studied your business methods, and the results tell a lonely tale.



wals communications Marketing Metrics Survey, "Meet ROI,"¹ was designed to identify current uses of and trends in planning and marketing metrics for architecture, engineering and construction (AEC) firms throughout the Washington, DC, metropolitan area. The results of the survey have been compiled into this report.

ROI's taking you on a tour of marketing practices. The tour is sponsored by **wals communications**, a strategic marketing firm built on the art of business. **wals** can help you put it all together.

Highlights include:

- **Let's Review:** context
- **ROI's friends in the DC area:** study participants
- **Meet ROI:** return metrics
- **ROIs other friends:** additional metrics
- **How ROI can help**

Enjoy your tour.

¹ Return on Investment. For the purpose of this white paper, ROI is defined as total revenue minus total investment divided by total investment.

Let's Review



The recession of 2008-'09 disproportionately impacted the AEC industry, leading to job losses and lack of credit for project financing. The March ABI (Architecture Billings Index) published by the AIA² notes that 17% of payroll losses so far in 2009 have come from the construction sector, even though it accounts for less than 5% of national payrolls. The ABI also states that architecture firms lost over 18,000 jobs between August 2008 and January 2009, accounting for 7.5% of all jobs at these firms.

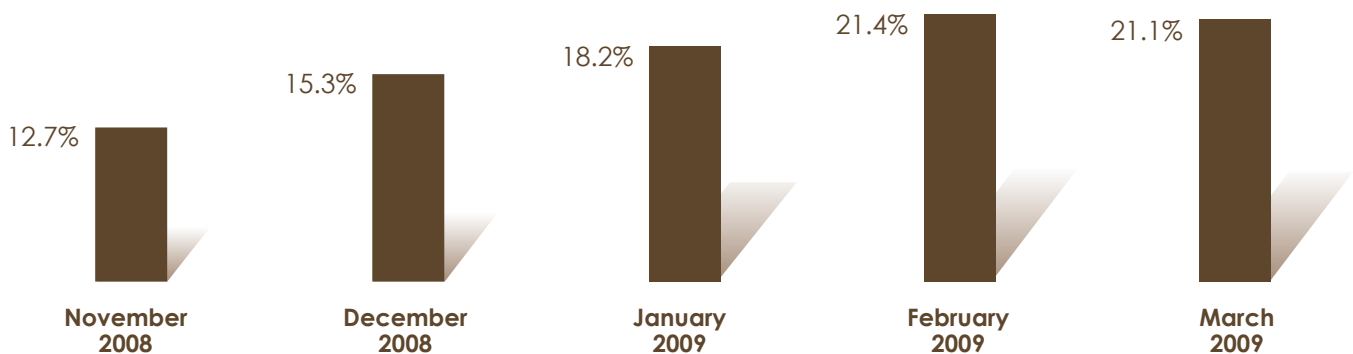
According to the Bureau of Labor Statistics³, the unemployment rate specifically for construction (building, heavy, civil and specialty construction) rose to 21.4 % in February 2009, representing an increase of 17% from January 2009 and 41% from November of 2008 when the corresponding unemployment rate was 12.7%.

So, given the current economy, let's look at the DC area firms who responded to our survey, then meet ROI to see how he can help. ROI's a good person to know during lean times as he can help pinpoint what you get for what you spend — in marketing, R&D and on specific projects making sure you get the biggest bang for the buck.

ROI's not difficult to get to know, but sometimes goes by:

- ROR (Rate of Return),
- ROP (Rate of Profit) or
- simply just "Return."

Unemployment rate



² http://info.aia.org/aiarchitect/thisweek09/0320/0320b_otb.cfm

³ <http://www.bls.gov/iag/tgs/iag23.htm>

ROI's Friends in the DC Area



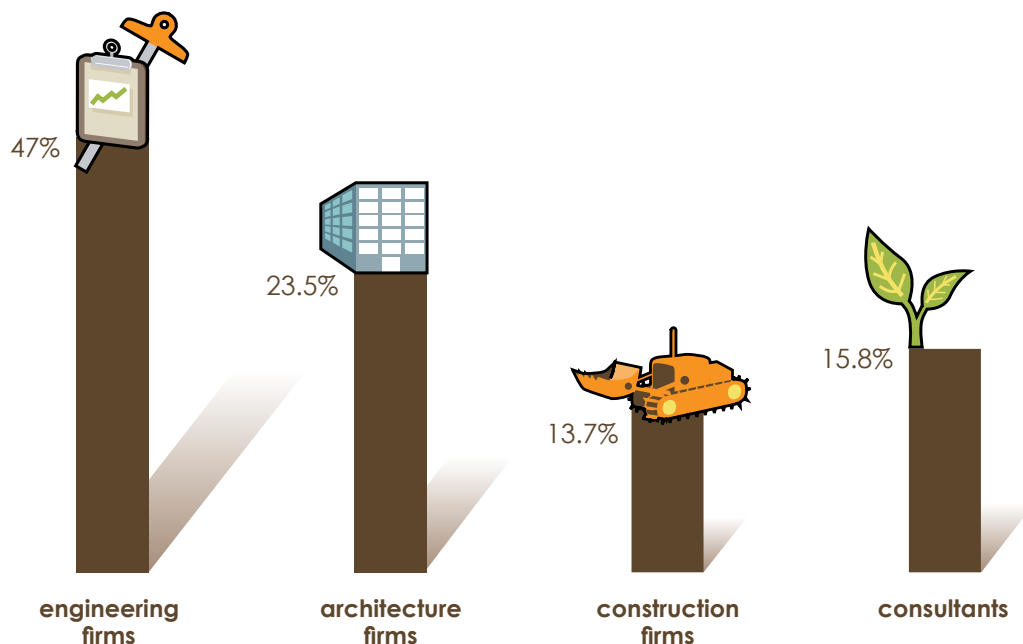
Survey respondents (friends of ROI) represent a wide diversity of firms as follows:

- 47% engineering
- 23.5% architecture
- 13.7% construction
- 15.8% consultants in design and construction related fields.

In winter 2009, **wals communications** "Meet ROI" survey was distributed to 338 people in 299 architecture, engineering, construction and related consulting firms throughout the Metropolitan DC, area through our proprietary database. 63 responses were received during the survey period. Survey response rate was 21%, with 44 respondents completing the survey entirely.

The majority of respondents are from firms employing 100 people or more. The next largest group of respondents have between 21 and 50 employees and the third largest group includes firms with fewer than 10 people. 56% of responding firms, mainly engineers and contractors, have more than one office. Engineers and contractors are more likely to have more than 100 people on staff than responding architecture firms.

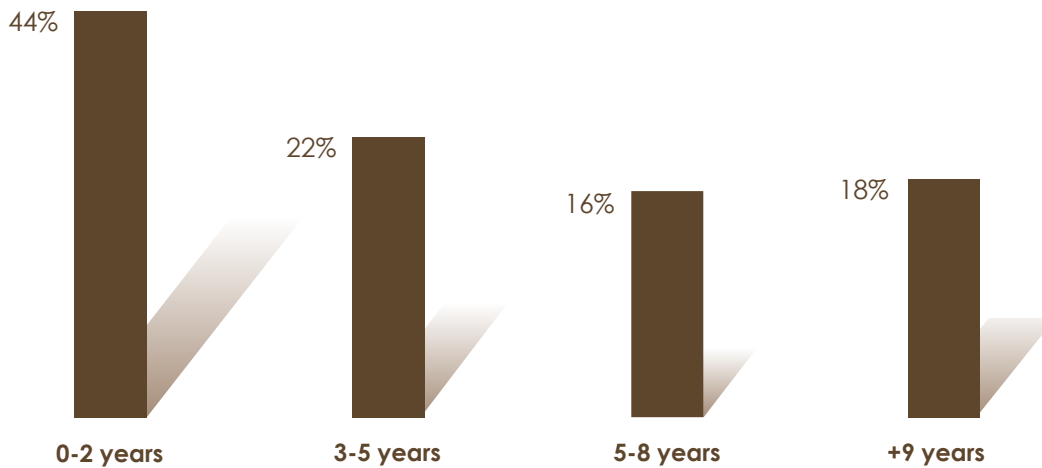
Friends of ROI



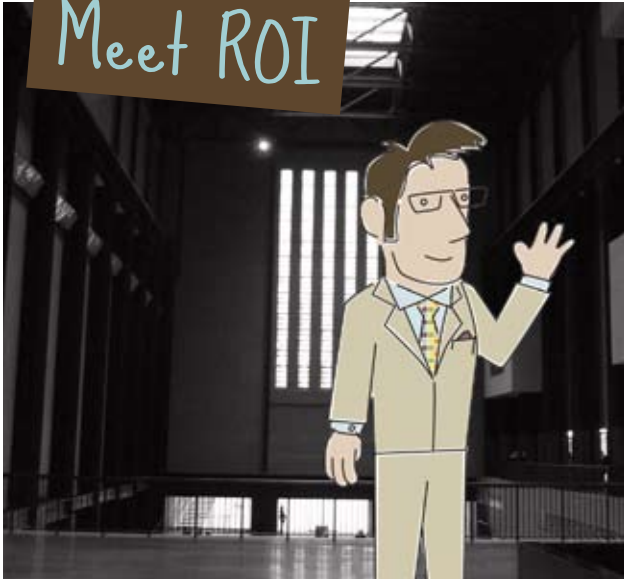
Most respondents were marketers followed by owners or senior managers along with one intrepid HR manager. Marketing departments in the responding firms range in size from 0 to 40 with an overall average of 6 staff. The majority of firms report a total of 2 staff members in marketing. Larger firms have an average of 12 marketing staff while firms with fewer than 100 total staff report an average of 1.6 marketing staff. There is little or no difference in marketing staff size across types of firms.

Fully 44% of respondents have been with their firms for 2 years or fewer with 22% having logged 3-5 years, 16% with 5-8 years and 18% with 9+ years. The high proportion of respondents who have been with their firms for 2 years or fewer implies a fair amount of mobility indicative of the economy, changing generational demographics or even possibly growth within the marketing department as firms recognize the importance of the marketing and business development functions. From December 2008 through January 2009, responding firms were responsible for employing 247 people in the DC metro area dedicated to marketing within the AEC industry.

Respondents' years of employment



Meet ROI



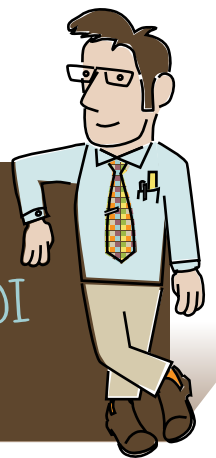
ROI is a solitary figure with a lot on his mind. He's the embodiment of the saying, "still waters run deep," and he's defined by his job. Every day, ROI's out there measuring. ROI likes to measure total revenue (minus total investment) divided by total investment. His importance can't be overstated as he is the go-to guy for any investment of money and time. Sure, he likes to hang out occasionally with the crowd from marketing and has some pretty important friends like Go/No-go and Leads to Wins, but ROI is really the leader of the metrics.

For ROI to measure effectively, he needs to work from a consistent set of parameters. Marketing function parameters are best defined through the planning and budgeting process. In order to measure input and output, ROI needs a budget and a financial feedback mechanism. The budget can be prepared against a plan of action — either a marketing plan or the marketing section of a business plan or ongoing strategic plan. Budgets with specific line items make ROI's job easier.

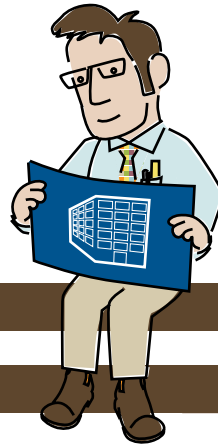
Out of 63 survey respondents, 62% engage in regular strategic planning, 70% have business plans and 71% prepare annual marketing plans. Roughly 23% of respondents don't prepare cyclical or annual strategic, business or marketing plans. Of the prepared plans, 65% are shared with staff and 60% are updated throughout the year. Annual marketing budgets are prepared for 64% of marketing plans. That equates to 29 out of 63 responding firms who prepare an annual marketing budget.

ROI - Return On Investment

$$\text{total revenue} - \text{total investment} \div \text{total investment} = \text{ROI}$$



It's interesting to note that planning breaks down along the following lines:



Planning by discipline



architecture firms



engineering firms



construction firms



consultants



What percentage of firms create plans based on firm size?

	<10	11-20	21-50	51-100	100<
Strategic Plan	75%	33%	20%	25%	80%
Business Plan	25%	66%	60%	75%	85%
Marketing Plan	50%	33%	40%	50%	75%

In the future, it will be interesting to track planning trends by discipline and firm staff size. The data indicate consulting firms approach strategic planning with more rigor while contractors look at the bigger, overall strategic/business unit planning, and engineers and architects are more likely to look at micro-planning on the marketing and business levels. Similar inferences can be made with regard to firm size with the largest and smallest firms putting forth the biggest planning efforts.



Marketing managers (41%) and firm management (29%) are most likely to prepare the marketing budget. Almost half of marketing budgets fall in the range of 3-5% of total revenue and an additional 38% are less than 3%. Only 1.5% of responding firms had marketing budgets exceeding 5% of total revenue. It was a toss-up over whether a firm's budget increased or stayed the same over the past year with roughly a quarter of respondents stating that the budget decreased. Looking into 2009, most firms anticipate their marketing budget staying the same, while slightly more firms thought their budgets would decrease rather than increase.

The majority of respondents include labor in their marketing budgets and track the time of marketing staff. Overall, technical staff marketing time was tracked by only 21% of responding firms. Additionally, most firms who have a marketing budget track expenditures across department, office or by individual. Only 16% of respondents don't track expenditures at all.

The following list illustrates the top items included in the budget which are also the top tracked expenditures:

Budgeted and tracked line items

advertising
brochures
networking
convention/trade shows
photography
seminars/dues
special events
web site
meals
giveaways
awards/exhibits
postage/delivery



Overall, as a total line item, labor as a general line item was tracked by fewer than a third of respondents.

20% of respondents are on friendly terms with ROI and use him to track their overall marketing investment. A third of respondents use ROI for specific projects or campaigns. The percentage of respondents who track ROI over time is consistent with the same number of respondents who track overall marketing investment.

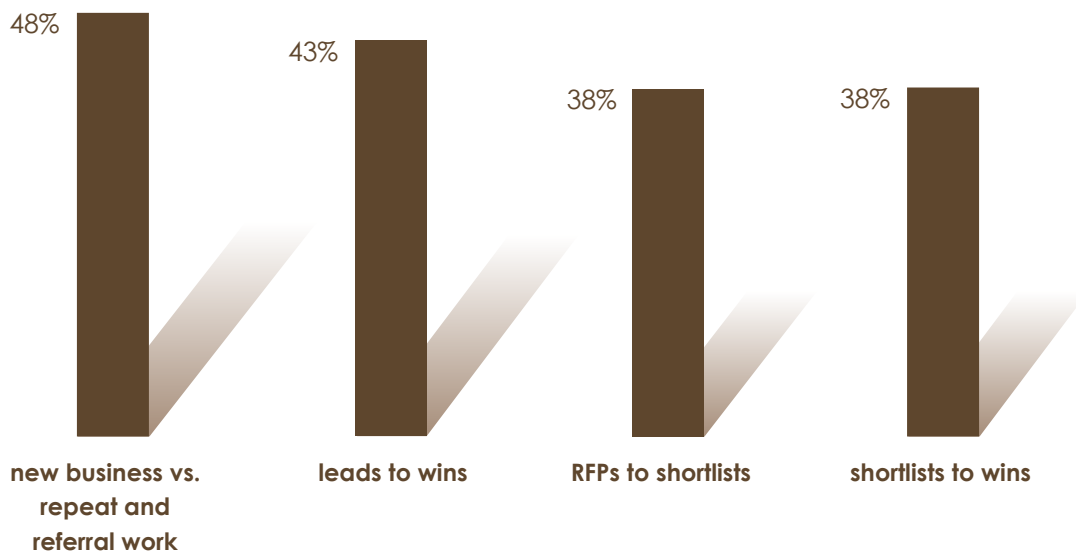
ROI's Other Friends



ROI has some powerful friends. You may know some of the same characters. You and ROI both seem to know Go/No-go (67%) and are acquainted with Proposal Self-evaluation, Customer Relationship Management⁴ and Lead Identification and Prospecting. In addition, marketing "hit" rates are measured in the following percentages for responding firms:

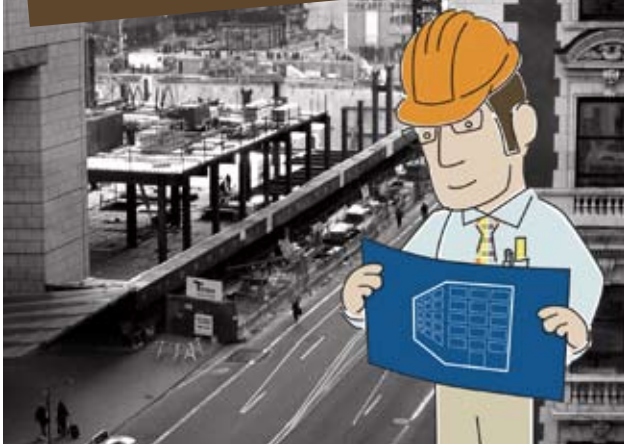
Only 32% of firms report having a solid debrief methodology and the majority were engineering firms. Firm size is irrelevant with regard to debrief methodology. There is no differentiation between firm types with established Go/No-go policies nor is firm size a determinant.

Marketing hit rates



⁴ CRM can range from lead tracking to proposal generation.

How Can ROI Help?



ROI would like to congratulate you on doing some things well — like planning. The majority of firms have active planning processes in place that are shared with staff and reviewed for progress. Similarly, many survey respondents engage other metrics to ascertain marketing effectiveness and even to determine which projects to pursue. The other metrics only make ROI's job more effective.

However, ROI is feeling a little lonely and would like to get to know more people in the AEC industry. Like most of us, ROI's at his best when he's able to establish a long-term relationship with his clients. Metrics built over time give a more complete level of feedback and offer greater insight from year to year and project to project about whether the investment is worthwhile — and, hey, ROI's an easy guy to

get to know. For example, if marketing spends \$1,000 each quarter and those efforts result in \$10,000 of revenue quarterly, then ROI gets a new suit! No, actually, it means ROI measures **900% or a return of a factor of 9**. If marketing's initial investment is \$8,000 and the resulting revenue is \$8,000, then ROI equals 0%. If the initial investment is \$8,000 and revenue equals \$4,000, then the return is negative 50% — not so good.

There are many sides to a story and, like most of us, ROI is not perfect. The reasons why a return is high or low or even whether the return is actually impacted by marketing efforts needs to be explored and understood before any valid action plan is implemented. While ROI is definitely a leader, he isn't the only game in town and needs his friends to complete the picture. For example, hit rates tell the story on individual successes that lead to the big prize — a job! Similarly, only by evaluating the proportion and quality of repeat work, can a firm make decisions about managing and developing client relationships as well as understanding the strengths and weaknesses of a current product or service offering. One area where ROI could be happier is in tracking labor — easily one of, if not the biggest, cost in marketing.

Over time, yearly, quarterly or even project by project, ROI and his friends are effective measures of resources and labor to help guide the marketing investment decision-making process. A thorough use and understanding of marketing metrics can also save money and time by focusing efforts to build business and gain market share.

Hope you enjoyed
the tour.

Methodology

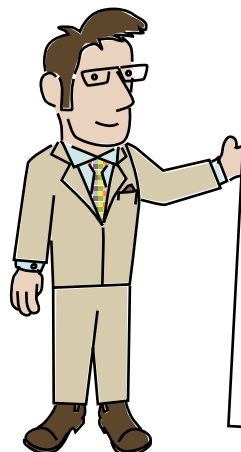


The “Meet ROI” survey was distributed through email to 338 people in 299 architecture, engineering, construction and industry-related consulting firms throughout the DC metro area. The survey, open from December 22, 2008, through January 15, 2009, was hosted through SurveyMonkey and linked from www.wals-studios.com.

63 responses were received during the survey period. Survey response rate was 21%. 44 respondents completed the survey in its entirety.

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Out of the 63 respondents, 40 requested an emailed copy of the final report and to be entered into a drawing for a Dunkin’ Donuts breakfast for 20.



Marketing Metrics Survey from wals Communications

1. PLANNING

1. Does your firm engage in cyclical (every 3-10 years) strategic planning?

yes
 no
 unsure

2. Does your firm prepare (or update) an annual business plan?

yes
 no
 unsure

3. Does your firm prepare an annual marketing plan?

yes
 no
 unsure

4. Are the strategic/business/marketing plans shared with staff?

yes
 no
 unsure

5. Do you benchmark against or update your plan throughout the fiscal year? (i.e., quarterly, monthly, etc...)

yes
 no
 unsure

2. METRICS

1. Does your firm prepare an annual marketing budget as part of the planning process?

yes
 no
 unsure

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Resources



Marketing Metrics De-Mystified: Methods for Measuring ROI and Evaluating Your Marketing Effort by Sally Handley, Inc. www.sallyhandley.com.

The Marketing Budget by Lisbeth Quebe. Part of the SMPS Core Series. Published through SMPS.

Plan-It: A Down-to-Earth Guide to Market Planning and Budgeting in the Design and Construction Industries by Lisbeth Quebe. Published through SMPS.