



How to Manage Client Relationships

A Short Guide for Architects, Engineers, and Contractors

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About the Author

I'm **Aarni Heiskanen**, Entrepreneur, Management Consultant, and M. Arch.

I worked as an architect and architectural R&D manager for over a decade. Gradually, I became more and more interested in innovative business development. I became an internet entrepreneur, and, later on, a certified management consultant. Today I'm a co-owner of **AE Partners**, a consultancy, and **Thinking Business**, which is a software company.

Many of my management consulting clients are in the AEC industry. I've consulted for architects, engineers, contractors, IT developers, and their clients.

I wrote this short guide to inspire AEC firm owners and principals to think strategically about their clients. If you have any questions or comments, please email me at aarni.heiskanen@aepartners.fi.

I'm on LinkedIn, Twitter, and Facebook. You can find links to my social networking accounts on my blog at <http://aec-business.com>.



Challenges in Customer Relationships

AEC firms serve many customers within the same project: the owner, the builder, the investor, the user, authorities, and other companies. Each customer employs people who play a variety of roles in different roles: decision maker, expert, buyer, and so on. It is quite difficult to keep them all happy and succeed financially while doing so.

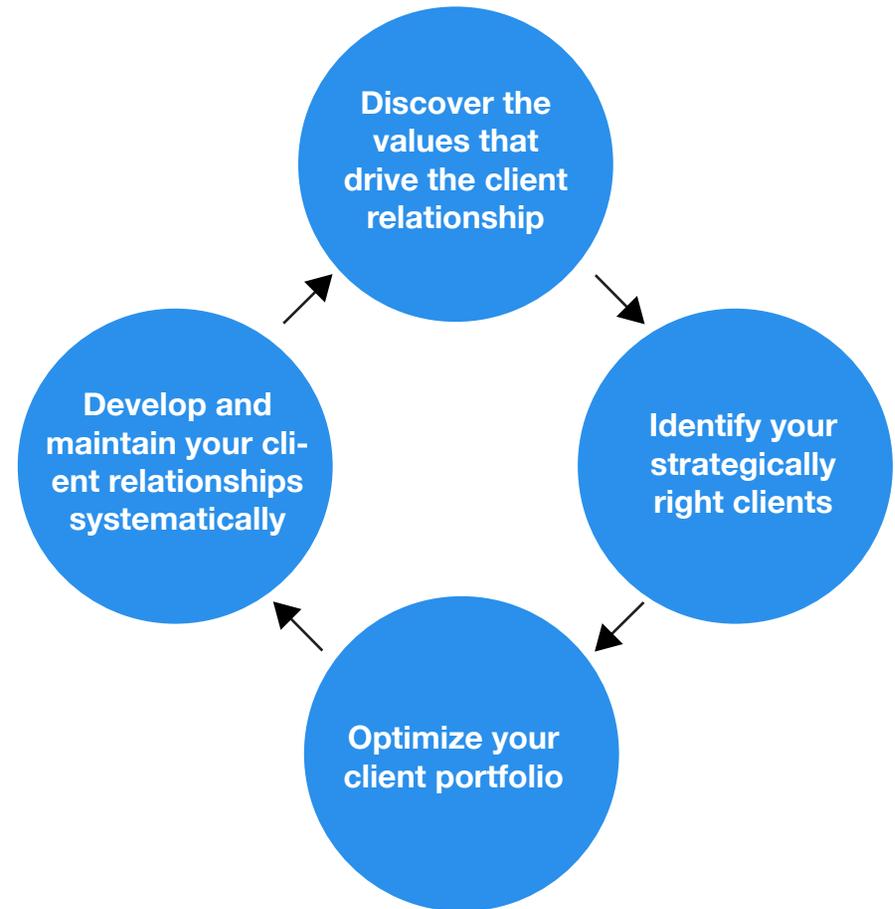
Clients are customers who choose and pay the architect, engineer, or contractor. You should focus on them when you plan your customer strategy, but you must remember at the same time that construction is a networked industry.

Taking care of client relationships is not easy. Here are some of the challenges that AEC companies often face:

- They don't have a customer strategy, and therefore their efforts are haphazard.
- They do not know the customer well enough to understand what the customer values.
- They have not developed a systematic way to build and maintain customer relationships.

Clients can also make it difficult to serve them if they present any of the following behaviors:

- They want to keep the customer-supplier relationships as detached as possible.
- They focus on the cost of the business transaction, not the value of their investment.
- They are not willing to build partnerships; they instead prefer to dictate.



The Client Relationship Management Process

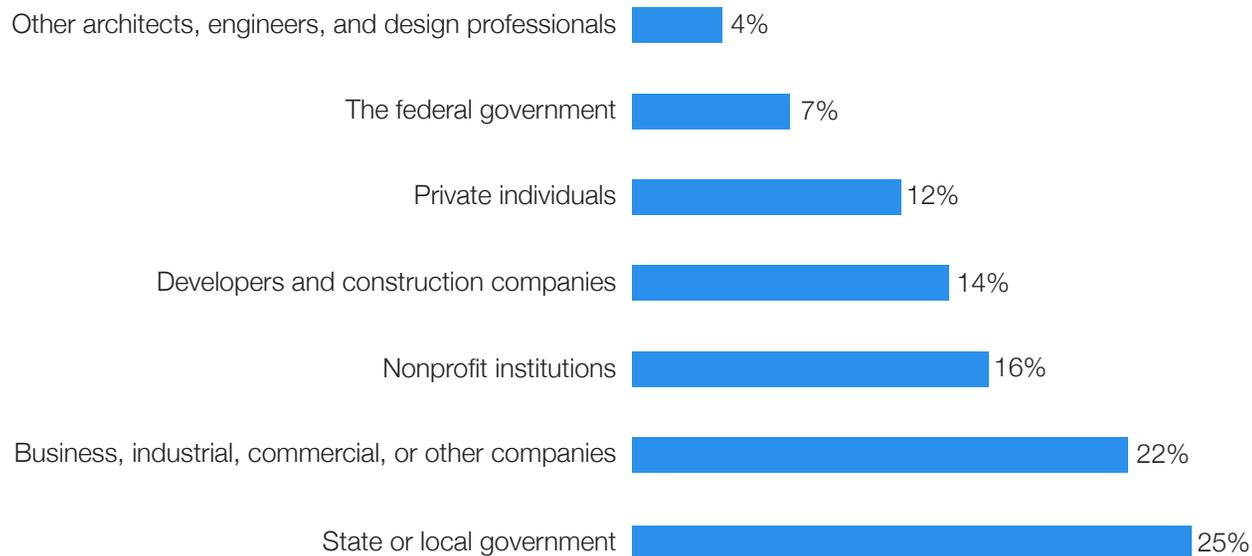
Who are the Clients?

Architects are involved in most new building and renovation projects, and the distribution of their clientele is descriptive of the market in general. The American Institute of Architects has published the percentage distribution of its members' firm billings by client type (see the following chart.)

The three biggest client groups by billings in the United States are state or local government (25%), companies (22%), and nonprofit organizations (16%). Developers and construction companies account for 14 percent of the architects' billings.

It is clear that these client groups have their own purchasing habits and processes, and they can have different goals or preferences when it comes to projects. The purpose of client relationship management is to:

1. Discover the values that drive the client relationship
2. Identify your strategically right clients
3. Optimize your client portfolio
4. Develop and maintain client relationships systematically



Percentage of AIA Members' Firm Billings by Client Type, 2012

Make Sure You Have a Strategy

A starting point for client relationship management is your business strategy. In case you wonder whether you already have a clear strategy, consider the following five questions:

1) What are your arenas—where are you active? These can be market segments, geographic areas, project types, core technologies, and so on. For example, your arena could be health care facilities on the East Coast or renovation of demanding water-crossing bridges and railway bridges. If you try to be everything to everybody, you'll likely fail.

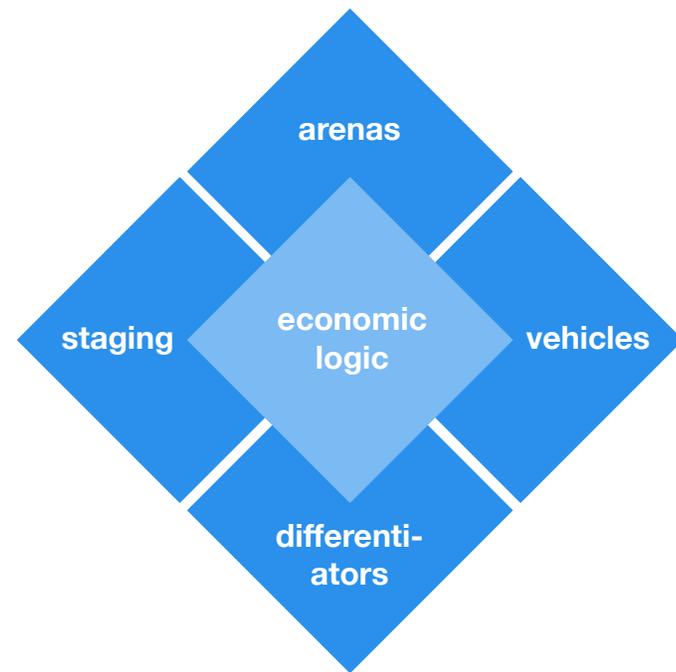
2) What are your differentiators that allow you to win in our target arenas? Some alternative differentiators include special expertise, speed of execution, superior cost efficiency, or customer intimacy. In today's hectic and competitive business environment, creating a sustainable differentiator is extremely difficult.

3) What are your vehicles to achieve success and the required growth? They could be—among others—internal development programs, joint ventures, licensing or franchising programs, alliances, or acquisitions.

4) What is your staging and pricing? What is the sequence and speed of strategic moves? Do you serve small clients and gradually try to move into larger projects? Are you local, but you plan to be national or international? Some companies want to move one step at a time; others want to leapfrog to a new level.

5) What is your economic logic? How do you tie all the pieces together in a way that satisfies your key stakeholders? For example, you could be able to offer the lowest price through scale advantages or through scope and replication advantages. Alternatively, you might have premium prices due to unmatched service or proprietary service features.

Once you have your strategy in place, you have a solid basis for deciding who your right clients are and what you should offer them.



The Five Major Elements of Strategy (Hambrick, Fredrikson)

Understand What Creates Value

Clients buy services and products to create value in their own business. A laboratory does not want to buy or lease facilities; it offers research services to its customers and needs a secure and clean environment for doing that. A developer has a different approach to value creation, but you'll have to understand that as well. Your company's job is to make sure the clients are able to create value the way they want, provided you want to have those clients.

Values are not only about operational efficiency or high ROI. There are also "softer" values that affect clients' decisions. Companies are discovering this in consumer business, but it is also present in B2B sales. For example, a family business can emphasize and nurture different values than can a developer. If your and your potential client's values are a poor match, you'll find it hard to serve that client optimally.

A customer needs map is a tool for planning your offering as a response to your clients' values and their respective needs. The map consists of two axes: x = client's value preference and y = client's need.

An example of a needs map is on the next page.



Examples of Client's Values

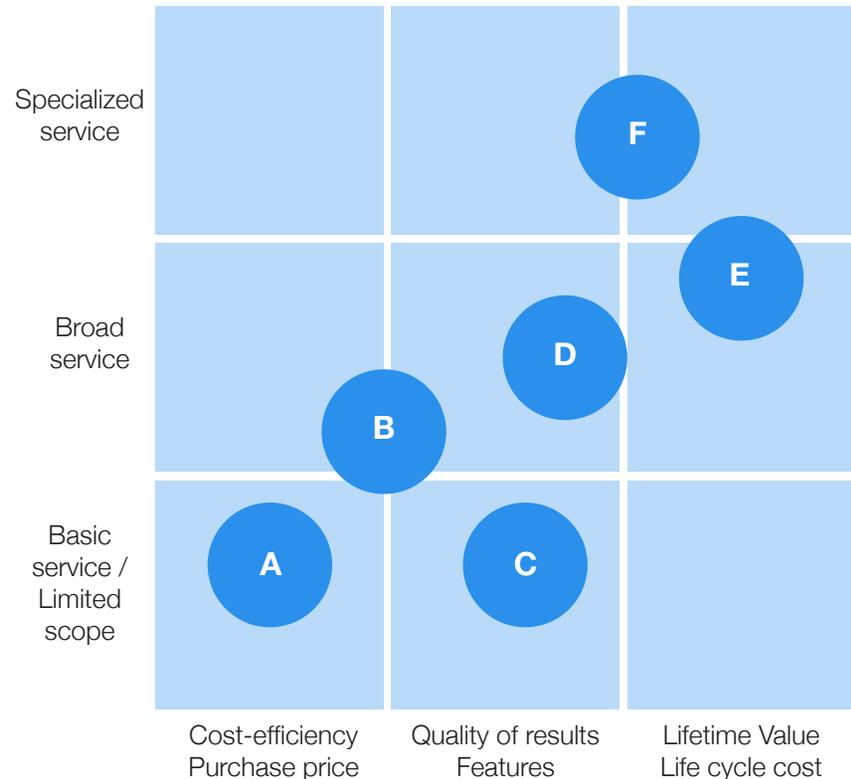
On the x-axis, you present three to four main types of value preferences of your existing or prospective clients; three to four types are typical. In the example chart, there are three types from left to right:

1. Price of the purchase or cost-efficiency—the client is looking for the cheapest offer for a well-defined need.
2. Quality of results or service features—the client wants to optimize the total project performance (time, quality, cost).
3. Lifetime value—the client wants to optimize the life-cycle performance of the building or construction being built

The y-axis presents the breadth or uniqueness of the service that the client needs from you to solve its problem. The scale from bottom to top could consist of the following examples:

1. Basic or limited service—design or construction that is “bread and butter” for you and your competitors
2. Broad or extended service—a more complex or multidisciplinary solution
3. Specialized service—high-end service that requires special skills, knowledge, or technology, possibly proprietary for you

Once you have the chart laid out, you can start positioning your services, project types, competitors, and clients on the chart. Start with the present and create alternatives for the future.



Example of a Client Needs Map

Identify and evaluate your client relationships

The needs map is an extremely versatile tool for strategic work and client relationship planning. You could for example decide that your company is able to cover the whole value spectrum from “routine” design to advanced life-cycle design and services.

The next step is to list and evaluate your existing client relationships. Start by listing all the clients you currently have. Then evaluate each client using five to ten criteria. Here are examples of the criteria that my consulting clients have used:

1. The number or volume of the projects with that client
2. The strength of the customer relationship (e.g., a one-time-buyer, potential repeat, partnership, endangered)
3. The client’s own business outlook (growing, stable, diminishing)
4. The dominant value criterion of the client (price, quality, life-cycle value)
5. The breadth of the service need (basic, wide, specialized)
6. Our share of the client’s purchases (small, average, large)
7. Evaluation of the client’s project profitability (low, average, high)
8. Potential for cross selling (none, low, high)
9. Learning or development opportunities (low, average, high)
10. Project fit with our capabilities (low, average, high)
11. Evaluated customer satisfaction (low, average, high)

If you make the analysis using a spreadsheet, you are able to make calculations and comparisons. You can decide the

weighing of the criteria if necessary.

A consulting client of mine did the analysis and discovered that their client relationships at that time were not ideal. The company was able to provide very sophisticated services, but only 20 percent of the clients were buying them. On the other hand, only 20 percent of their relationships were not recurring or long term.

Optimize Your Client Portfolio

Now that you know who your clients are and what they value and need, you can start thinking strategically about your client portfolio. The portfolio is a decision-making tool that helps you focus on the right clients and projects.

Using the evaluation table, you are able to compare client relationships numerically. Define which characteristics make a good “strategic fit” and sort the list accordingly. Do another sort using financial criteria (volume, profitability, etc.).

After analyzing your client base, you can start grouping the client relationships into three to five categories with different characteristics and needs. You can calculate the percentage of clients in each category now and set goals for the future based on your strategy (see the table).

You optimize your client portfolio by setting goals and defining how you want to reach those goals. For example, if your strategy favors partnership clients, you could turn some of your regular or one-time clients into partners by offering them special benefits or new value. You could also try to get follow-up projects from existing clients and be more restrained in bidding.

Existing conditions will naturally affect how easy or fast it is to change your client portfolio, but without a decisive strategy and plan, it will never happen. Some projects or clients might be especially profitable even if they don’t fit well with your strategy. It takes a lot of determination to say “no,” but it most often pays off in the end.

Client Category	Characteristics	Billing Percentage	
		Now	Goal
PARTNER	<ul style="list-style-type: none"> Sustainable relationship Open sharing of knowledge Collaborative planning Client is committed to a certain annual project volume 	10	20
REGULAR CLIENT	<ul style="list-style-type: none"> Recurring sales Client-specific price list General agreement 	40	60
INTERNAL CLIENT OR COLLABORATOR	<ul style="list-style-type: none"> Recurring, systematic collaboration 	5	5
DISCRETE PROJECT CLIENT	<ul style="list-style-type: none"> Every project is out for bidding 	45	15

Example of Client Portfolio Optimization

Develop and Maintain Client Relationships Systematically

AEC firms are typically not very systematic with their client relationships. Relationship management has been based on great personal relationships between the buyer and the seller. Quite often these relationships have been personalized to an extent that when a manager or expert changes the employer, his or her clients follow.

If the client is a large company or a public-sector customer, it is not self-evident that counting on personal relationships is a long-term solution. In a large organization, people come and go, and change positions or organizations, and your trusted client may not remain indefinitely. It is important to build and maintain relationships on a wider front.

The customer “has many heads,” as one architect stated. The adjoining table contains a collection of roles that are often at play in a project and advice on how to manage them during or between projects.

Information management is an important factor in systematic client relationship management. A CRM system or online service is not overkill even for a small company. With all the social networks and online services available, you have better means than ever to be in touch with and care for your clients. Regular face-to-face meetings are still important. Often the best ideas come outside of daily routines.

Client relationship management, or client care, does not happen on a high level alone. Every encounter with the client is part of it, and everybody in the company should be involved. Creating enjoyable and memorable customer experience is not limited to the consumer industry. Some of my

clients have started to learn from service designers and have seen quite encouraging results. We are, after all, individuals with feelings, even if we work for companies.

Role	Characterization	How to manage
Construction expert	Understands the process for which you are used (e.g., a construction process)	Provide with convincing references; show your professionalism; keep the expert up to date between projects
User	Knows the key process that the project will provide a solution for; takes over the results of the project	Demonstrate your knowledge of the user's business; use the user's language; follow up after project to increase your knowledge
Buyer	Makes the deal	Know what influence and leeway the buyer has; fulfill all the formal requirements
Decision maker	Decides on the choice of the supplier	Make sure your offering is superior in the eyes of the decision maker; clear up any doubts
Service provider	Supports or complements your work during the project or after completion	Make collaboration easy; become the preferred partner

Client Roles

How to Proceed

Take time to discuss within your company your existing client relationships. Ask what you need to do to make your client relationships more rewarding both for you and your customer. Start a project like the one outlined on these pages. Use a consultant, if necessary.

In the days of fierce price competition, nurturing the right client relationships the correct way is the secret of many successful AEC companies.

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