

Practice Management

2011 Webinar

Escaping the Walmarting of Design

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Practice Management

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- Best Practices
- Webinars
- Center for Integrated Practice
- **2011 Fall Conference (November 2–4 , 2010)** Architecture Exchange East, Richmond, VA
- www.aia.org/pm

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2011 Webinar Series

Escaping the Walmarting of Design



Presented by:

Bob Van Arsdall, XL Design Professional



Moderator:

Scott A. Kuehn, AIA, PMKC Advisory Group



Escaping the Walmarting of Design

Bob vanArsdall
XL Design Professional
AIA PMKC Webinar
22 September 2011

Agenda

- Market realities
- Timeframe necessities
- Value = Money
- Things you can do short-term
- Things you can do longer term
- Suggestions to increase value

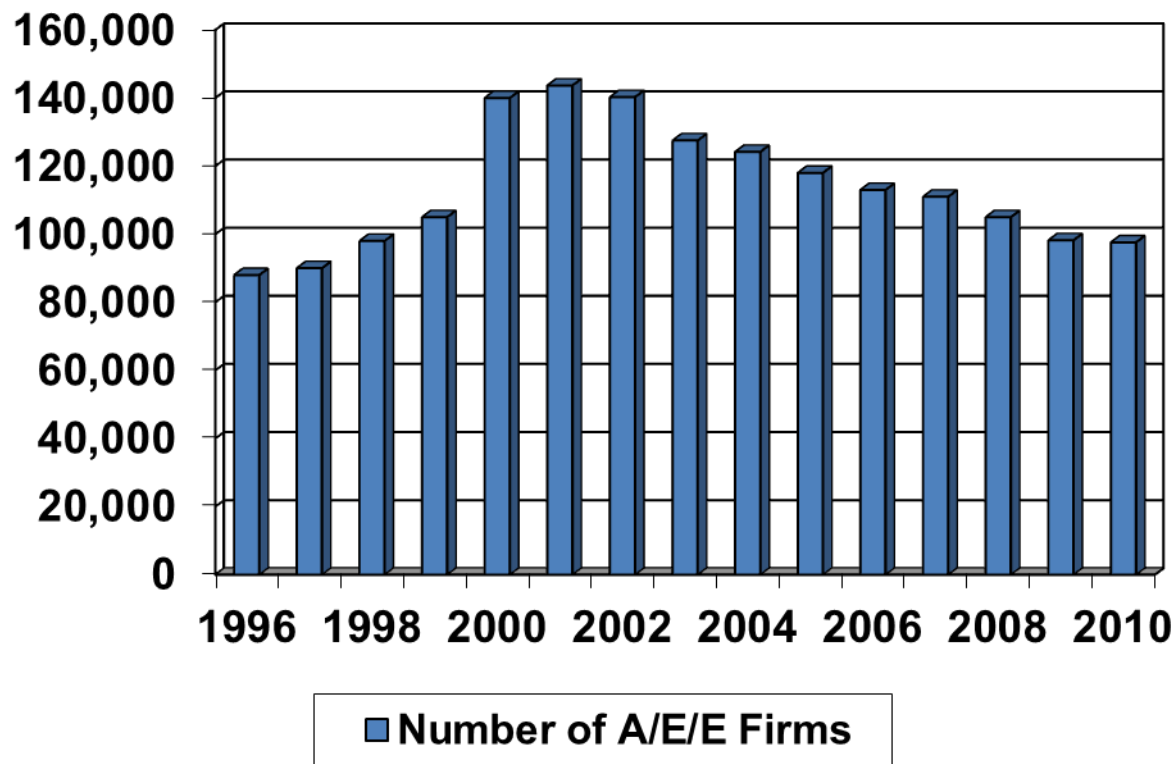


First, Some Questions:

- Do you currently operate fundamentally the same way you did 10 years ago?
- With what you know today, do you think your firm can operate the same way it does today 10 years from now?



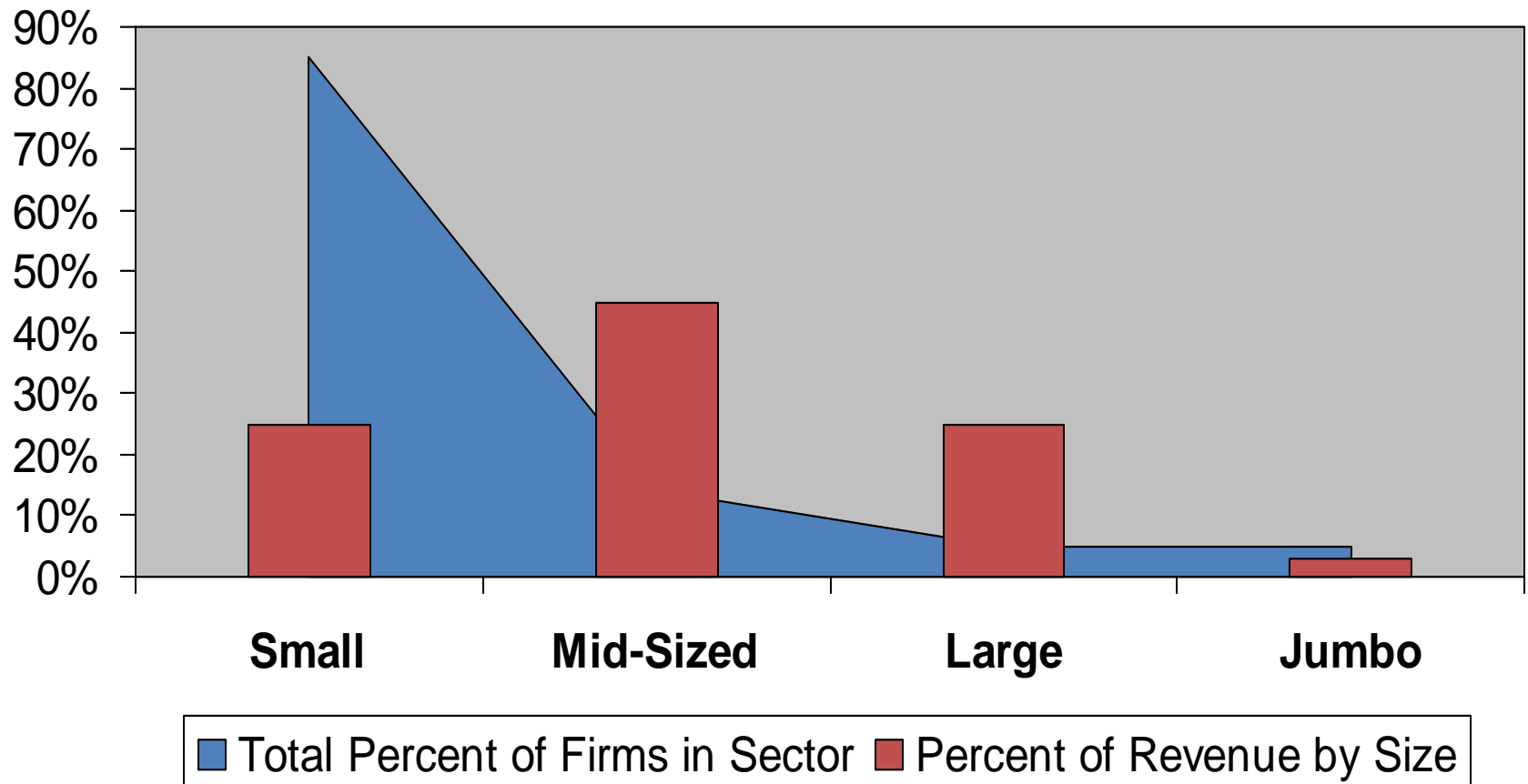
Number of A/E Firms



- Total number of design firms continues to decline
- 31.0% loss since 2001

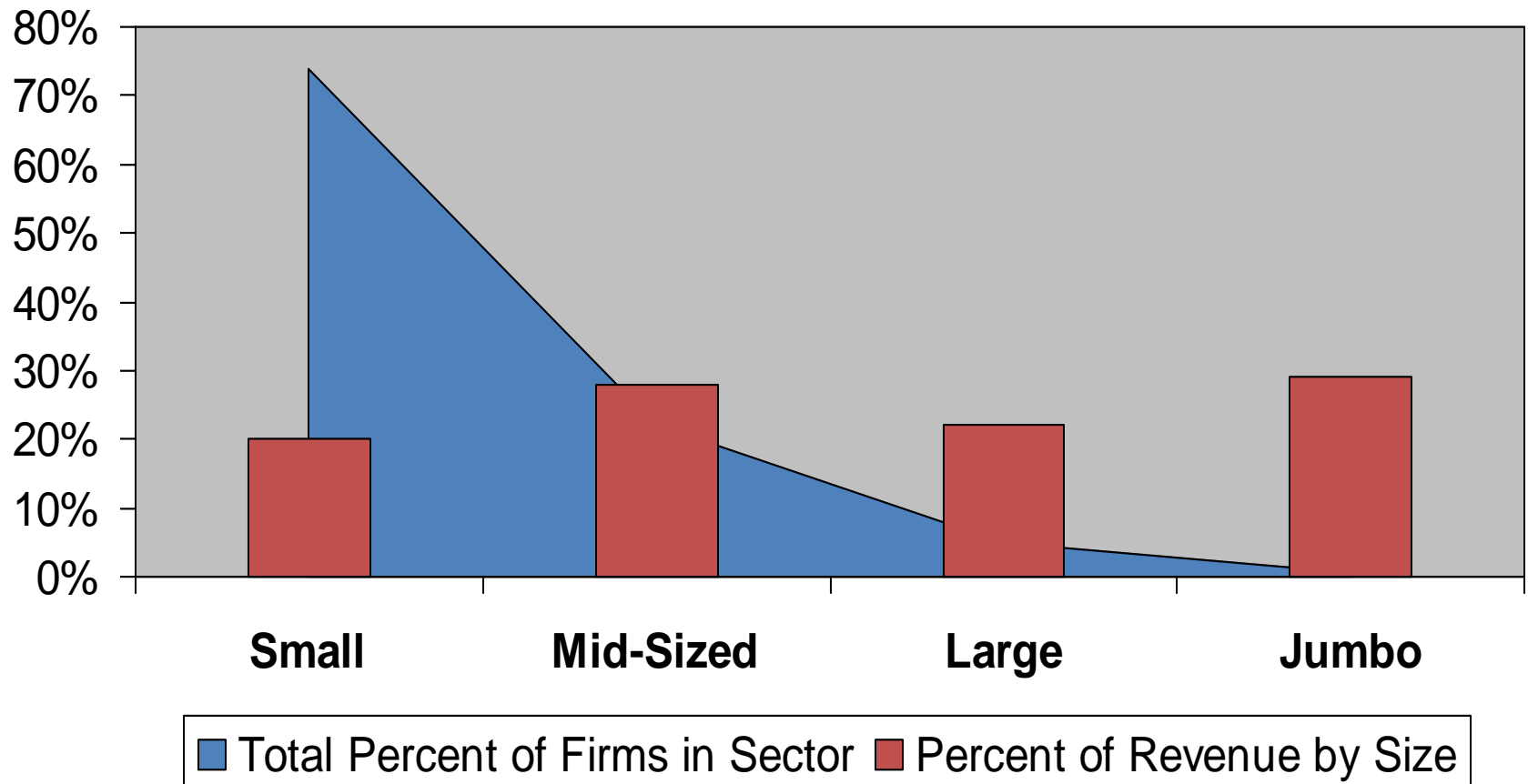
2003

The National View – Architects

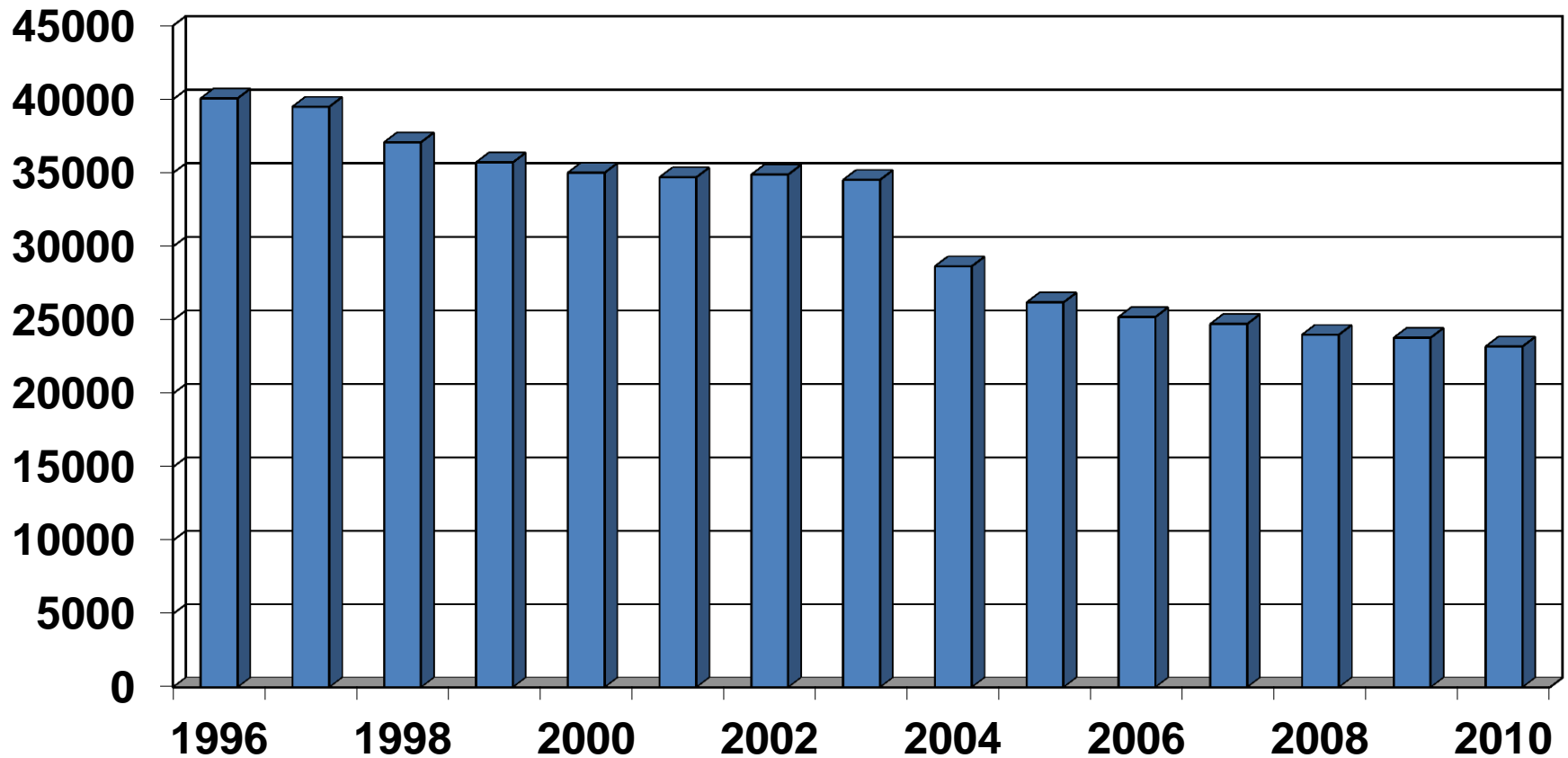


2011

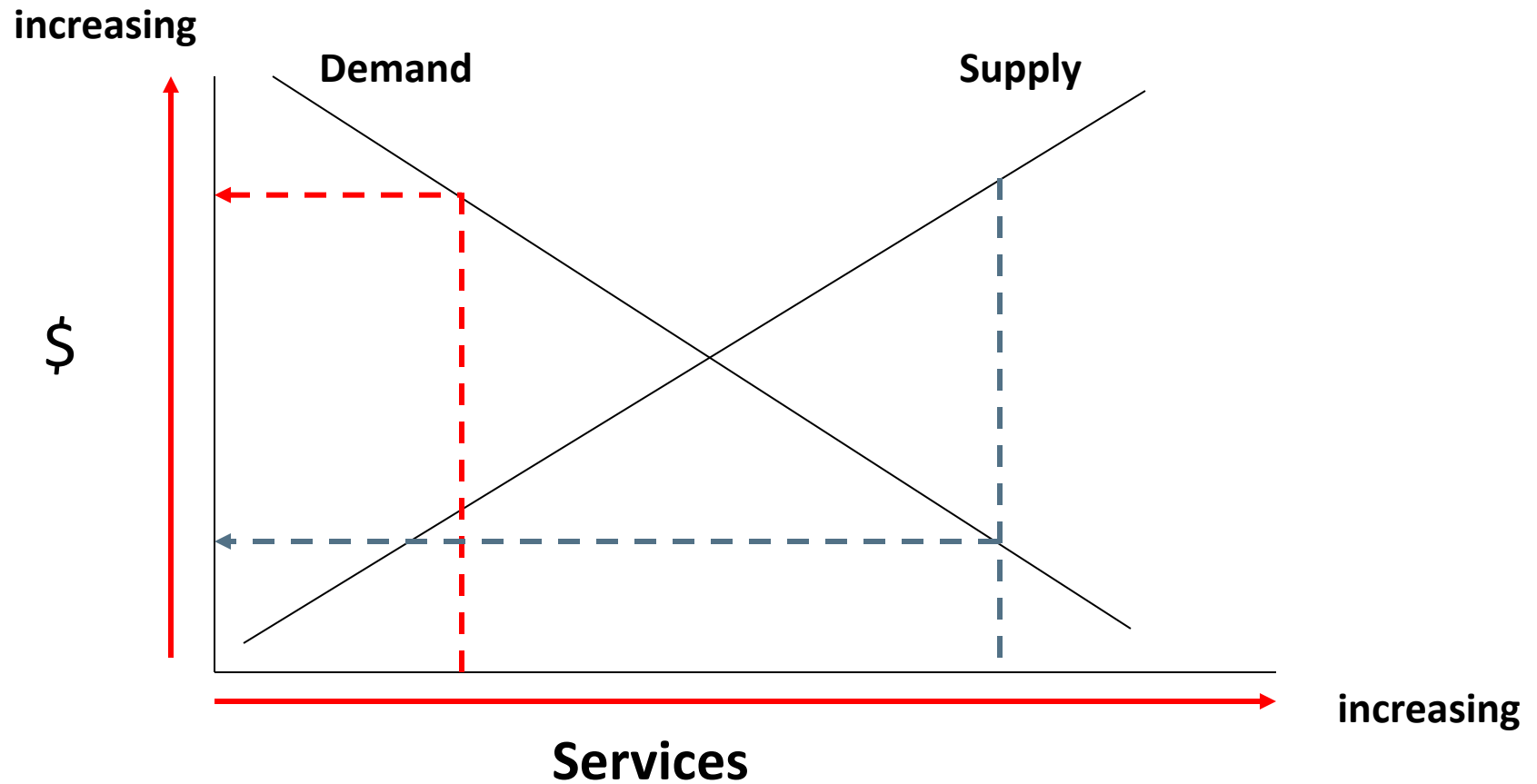
The National View – Architects



Number of US Engineering Graduates



Basic Microeconomics Should Favor





But Not in the Global Economy...

Why Blame Walmart?

- Lowered price due to massive volume (owner pressure)
- Demands on suppliers for price, supplier concessions (owner pressure, supplier weakness)
- Fulfills demand from consumers for low priced goods
- Almost impossible to resist



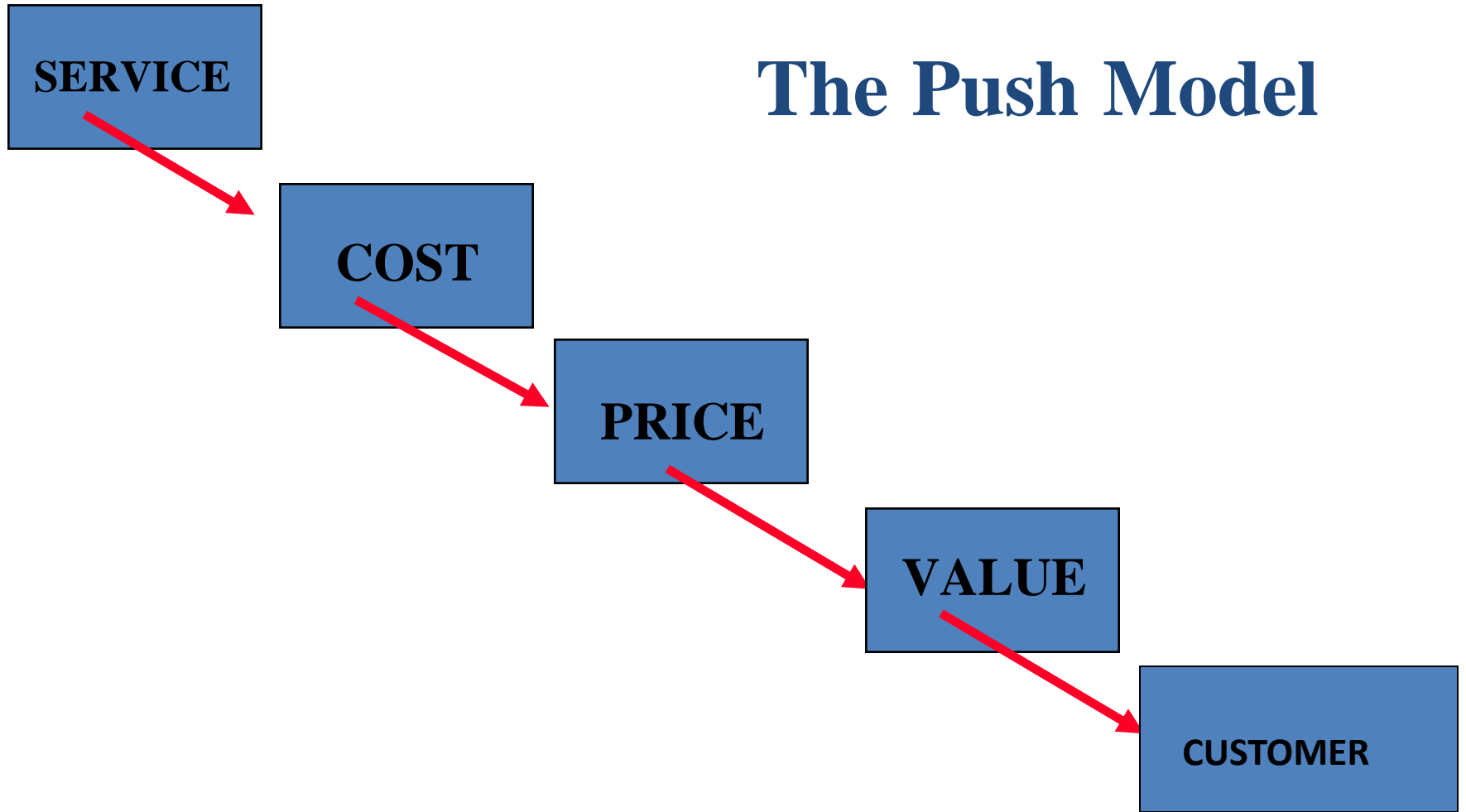
How Does This Apply To Design?

- Owner pressure on price, schedule
- Architect pressure on billings
- Contractor pressure on plans
- Net result: skinny margins, fast delivery



Push vs. Pull Models

The Push Model

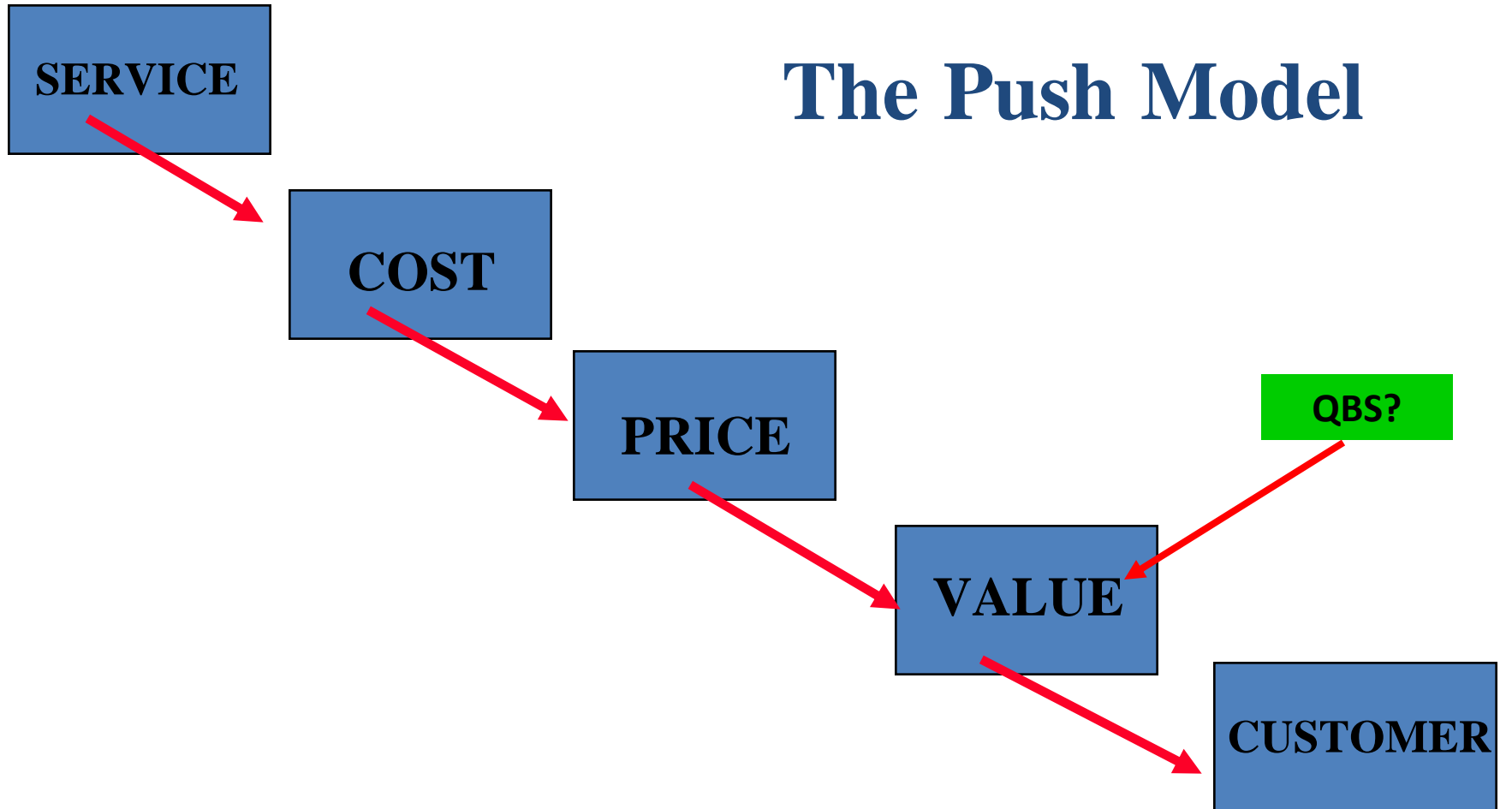


QBS Selection (from FIDIC requirements)

- professional competence
- managerial ability
- availability of resources
- impartiality
- fairness of fee structure
- professional integrity
- quality assurance system
- past projects performance record;
- the documentation and project control procedures which guide the performance of the consultant's services;
- the success record of the proposed project manager on previous projects;
- the project management and quality control approach proposed for the new assignment;
- the progress reporting and client communication techniques proposed for the assignment;
- the success rate on previous projects of the consultant in transferring technology.

Push vs. Pull Models

The Push Model



What Do Owners Really Want?

- Responsiveness
- Predictability
- Help with budget accuracy



Essential Skills for Design Professionals

The A/E View

1. Technical Knowledge
2. Experience
3. Communication Skills
4. Business Acumen

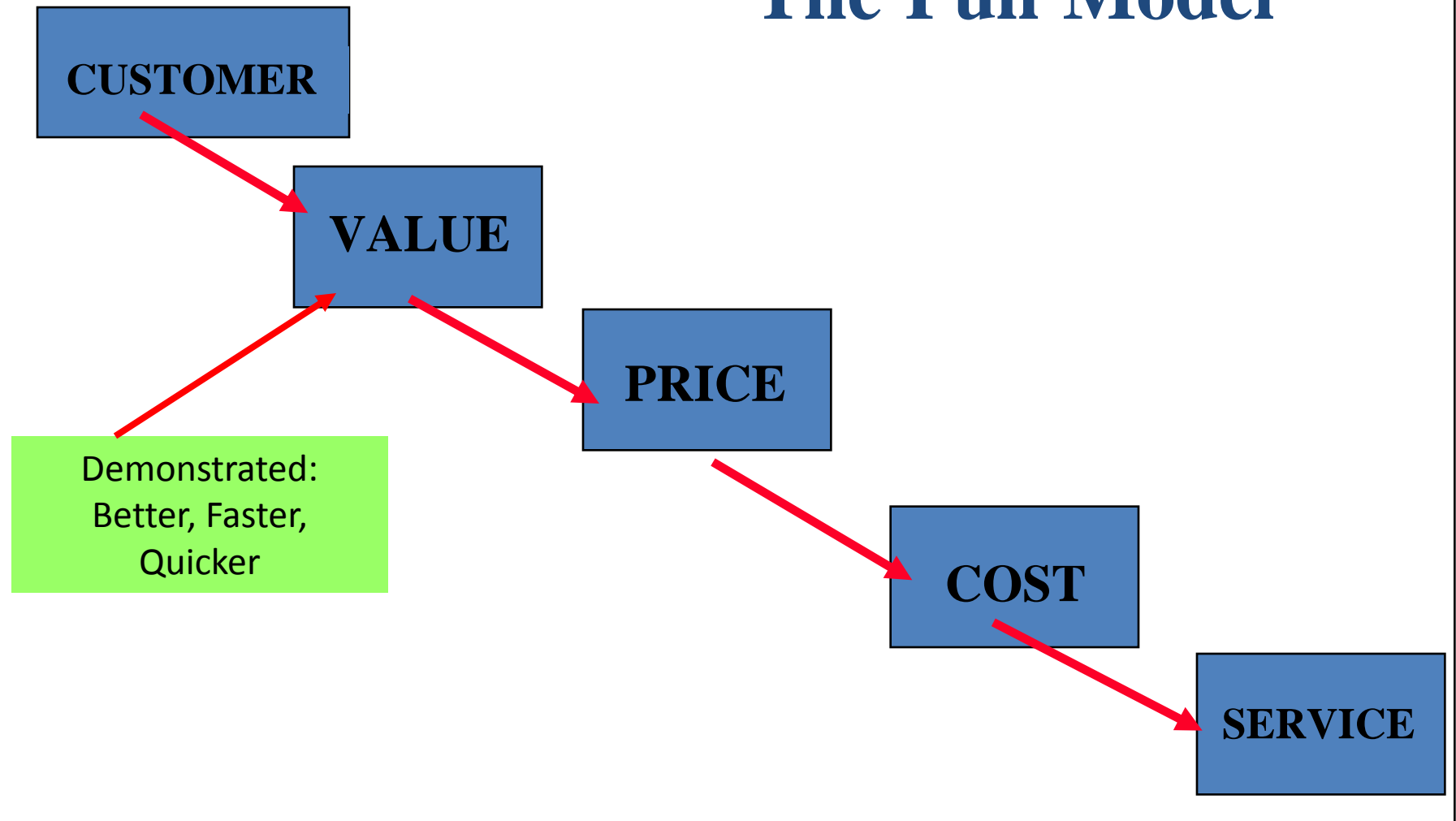
The Client View

1. Communication Skills
2. Business Acumen
3. Experience
4. Technical Knowledge



Push vs. Pull Models

The Pull Model



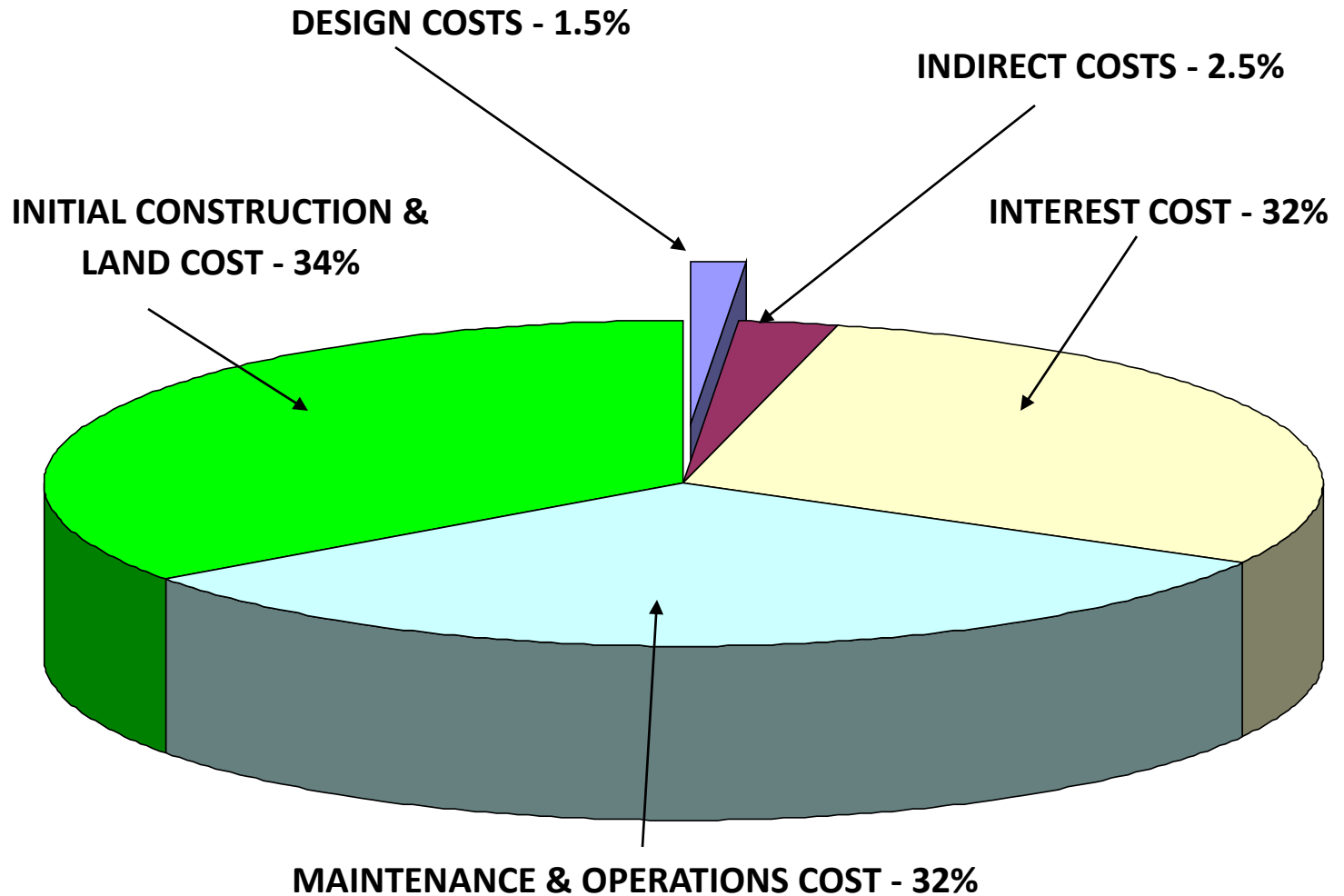
So, the Real Question:

What Value Can You Add to the Project?

(In the Client's Definition of Value)



LIFE CYCLE COSTS OF BUILDINGS





How to Find the Value Targets

Seven Fundamental Questions

Quantitative Segmentation:

- Can it be quantified?
- Is it big enough?
- Can we reach it through our business platform?
- Will it trend upward or downward in the future?

Seven Fundamental Questions

Quantitative Segmentation:

- Do we have the resources/skill sets to serve it?
- Can we make money at it?
- Can we create sustainable competitive advantage at it?

Qualitative Market Segmentation

- What is it that the market segment needs (as influenced by its market forces)?
- How does your firm's services meet those needs?

Qualitative Market Segmentation

- How much do we know about the client's client?
(understanding the big picture)
- When these needs are met, how does it make the clients in this market segment feel?



This Allows Your Firm to Differentiate
Itself From Other Firms in the Client's
Eyes

Which Is The Only Place It Counts

But Once You Define a Segment, Then What?

- Porter – Only 4 strategies exist. 3 win, one loses
 - Overall cost leadership
 - Differentiation
 - Focus
 - Middle-of-the-road – the losing strategy

Recent Additions to Theory

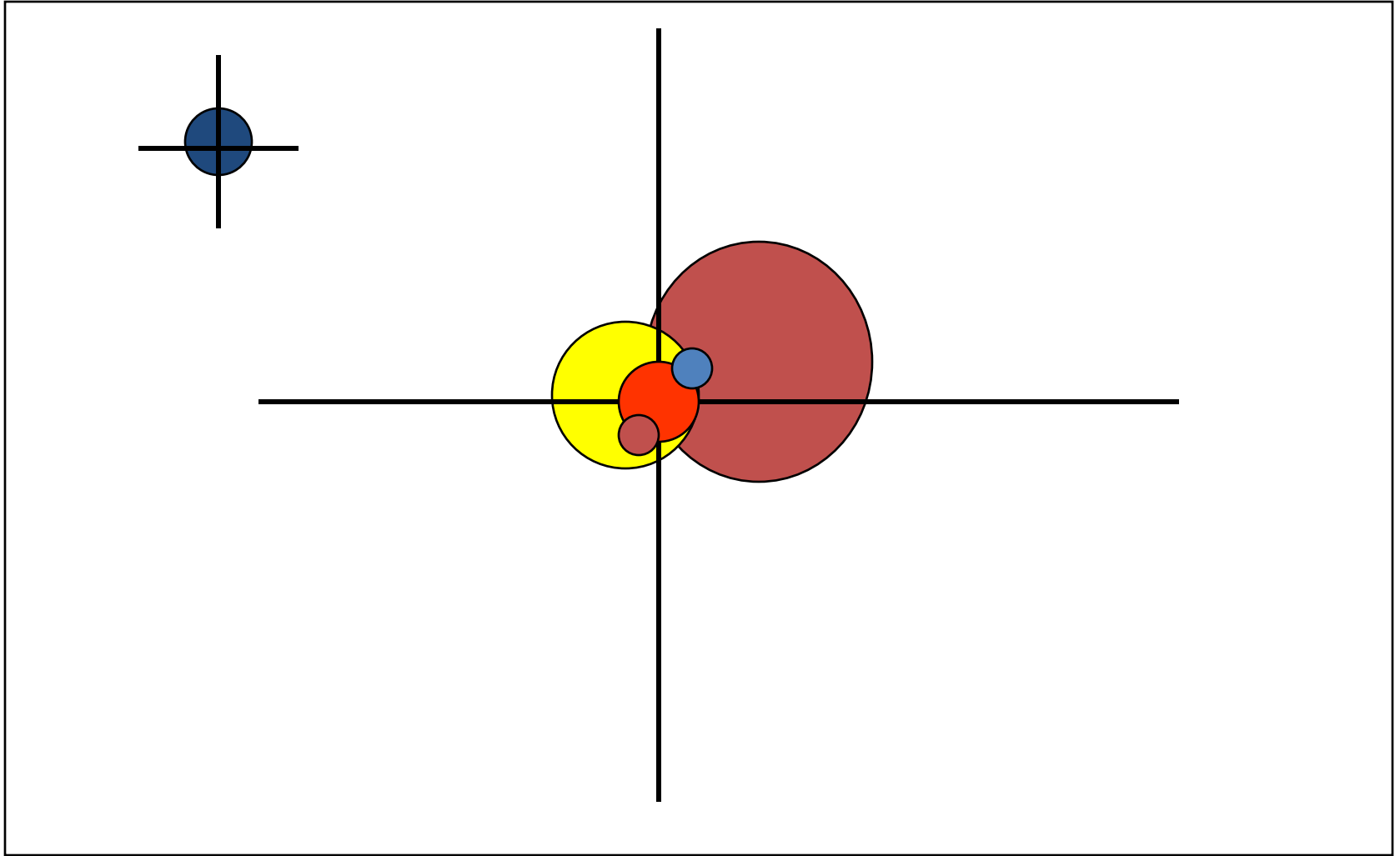
- Treacy & Wiersema – Three ways to deliver superior value to customers
 - Operational excellence – Wal-Mart, Dell Computer
 - Customer intimacy – USAA, Nordstrom, Land's End
 - Product leadership – Intel, Motorola, Nike, Nokia

Differentiation in a Service Industry

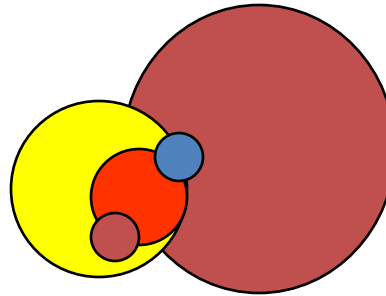
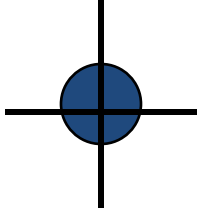
- Essentially three ways:
 - Offering – innovative features
 - Delivery – project delivery or customer service
 - Image – symbols, slogans, etc



How New Business Models Present



How New Business Models Present



Hard Questions:

1. Are you a specialist or a generalist?
2. Who – exactly – do you serve?
3. What are their market drivers?



Escape the Wal-Marting

- Make it your choice whether or not to participate
- Know the pricing parameters in each market
- Don't participate in all markets if you can't make money
- Owners don't necessarily reward excellence, they reward value

Questions?

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Upcoming Webinars:

“Client Research: Debunking Myths and Maximizing ROI”

October 13, 2011

“Best Practices in Competitive Intelligence”

November TBD

“A/E Industry Consolidation”

December TBD

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