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A/E Rainmaker

The Guide to Attracting and Keeping Great Clients

OUTSOURCING/OFFSHORING: A BOOST TO THE BOTTOM LINE?

By Peter J. Kienle, FSMPS, CPSM and Judy Kienle, CPSM, MPH

In late summer, one of the McKim & Creed principals asked marketing to research outsourcing/offshoring for the firm since project managers were getting unsolicited calls from India and other offshore locations saying they could save up to 90% on certain professional services, if we hired them for this work. Project managers are always looking to reduce costs, as bottom line profit is a determinate of their yearly bonus.

Outsourcing and offshoring are similar in that they both involve subcontracting services to outside firms, but specifically, offshoring refers to getting work done in a foreign location. Both topics are top-of-mind concerns for firms looking to control costs, however, the decision to do either requires careful consideration. Relationships matter, in the end, you are risking your reputation if an offshore firm does not perform, misses a deadline, or submits less than a high quality product to your clients. Developing a good working relationship and gaining commitment are necessary elements to obtaining quality work that will maintain your firm's reputation. In order for the firm to make an informed decision, research was required and tactics for collecting both primary and secondary research were developed.

A Google search of articles on engineering outsourcing and offshoring delivered 5,200,000 and 2,330,000 hits respectively. Culling through all the hits would be impossible; however, early in the research, it was apparent that there is a tremendous amount of useful information about these topics. Probably one of the most important discoveries was a free public workshop held in October 2006 sponsored by the National Academy of Engineering (NAE), which focused entirely on global outsourcing of engineering services. NAE commissioned numerous papers, most being authored by university professors and researchers, which later became available to the public. The following points serve as a synopsis of some fascinating findings.

◆ **Offshoring will grow.** Global spending for engineering is about \$750 billion/year, and is expected to exceed \$1 trillion/year by 2020, a 25% increase. Currently, an estimated \$10 to \$15 billion is being offshored, which is projected to grow to \$150 billion to \$225 billion, a sizable increase. An Engineering Services Summit was held in Bangalore, India on August 4, 2006 and similar numbers were projected.

◆ **U.S. engineering resources cannot keep pace.** By anyone's account, many more engineering graduates are entering the job market from China and India

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IS WORD-OF-MOUTH MARKETING MAKING A COMEBACK?

Many A/E/C firm principals can remember when the most viable form of marketing was by word-of-mouth, and through tips and referrals. Firms did not have a sophisticated arsenal of marketing tools at their disposal. This was the trusted method of getting new work, and it proved to be very effective at the time. Could it be the answer to the current dilemma in what works best in business development today?

A survey of more than 700 marketing professionals conducted by MarketingSherpa*, found that of the 15 most common B2B marketing tactics used today, no single tactic is delivering a knockout performance. However, this study and several others reported positive results from at least three tactics: e-mail and postal mail to in-house lists, public relations, and activities that build word-of-mouth trust.

Another industry survey published by BIGresearch** says that word-of-mouth marketing is one of the most talked about options for marketers. For example, 90.8% regularly or occasionally seek advice about products and services before making a purchase. New digital options make it easier to give and receive opinions on products and services and it's no longer confined to one-to-one conversations. New media options such as online search, blogging, email, texting, video streaming and social networks have expanded the word-of-mouth universe.

Best Marketing: Word-of-Mouth

Dennis Schrag Ed.D., CPSM of the Longview Group, LLC,** (www.longview-group.com), has no doubt which is the best approach. "When it comes to marketing a trust-based business like a professional service organization, there is no better marketing method than word-of-mouth. It is simply the BEST. Client opinions drive reputation. When you sell invisible services, reputation is everything," he said.

Dennis exclaims; "as a business owner, I can tell you how great my business is all day long. Hohum. A client tells you how I helped him or her make more profit: You listen. YEE-HAAA! It is the power of testimony. We don't use it enough."

"Create reasons to talk about your products and services," Dennis pointed out, "make it easier for the client-to-client conversation to take place."

"You must spotlight what makes your organization better and different. Word-of-mouth can't be faked or invented. It has to be legitimate and sincere to work," he added.

The basic elements are:

- ◆ Educating people about your products and services.
- ◆ Identifying people most likely to share their opinions about your service.

- ◆ Providing tools that make it easier to share information.
- ◆ Studying how, where, and when opinions are being shared.
- ◆ Listening and responding to supporters, detractors, and neutrals.

How can you use word-of-mouth to build your reputation and your business? "When was the last time your organization completed a reputation study? Do you know what clients say about you," Dennis asked?

Word-of-mouth marketing works for all size firms

Word-of-mouth marketing is particularly helpful to small firm principals, such as Lawson Willard of Lawson Willard Architects, in San Francisco, CA.**** One way that Lawson spreads the word is through AIA/San Francisco's *Small Firms, Great Projects* initiative that they do in conjunction with *San Francisco* magazine. "We usually get lots of interest in the firm after we are mentioned," Lawson said.

Lawson has a long list of happy clients and a good base of contractors and interior designers – both residential and commercial – that form an informal network of referrals, all by word-of-mouth.

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**** Excerpted from: *PSMJ's Circle of Excellence: How the Best-run A/E Firms Manage Clients, Staff, and Projects*.