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Marketing to construction

Online efforts key as contractors, labor move more business to the Web

BY ROGER SLAVENS

THE RECENT SLOWDOWN in residential construction—specifically new housing starts—has garnered a lot of press and has been seen as a key harbinger of a weak economy as 2006 comes to a close. However, Warren Nesbitt, group publisher of Hanley Woods Builder Group, says the housing slide of the past year is nothing to be concerned about. "Right now, 2006 is projected to end at an annual rate of 1.63 million starts, down from the 2.06 million starts from 2005," Nesbitt said. "But this still marks the fifth best year ever for residential construction. Our business is doing very well."

FMI, a management consultancy and investment bank to the construction industry, recently put those construction starts into real dollars. In its final forecast for 2006, FMI predicts that \$622.00 billion will be spent on residential construction, down from \$630.70 billion in 2005. Expectations for 2007 include a considerable drop to \$602.00 billion in spending, but also a quick rebound in 2008 to \$626.00 billion. "The market should come back to trend in mid-to-late 2008," Nesbitt agreed.

However, the residential market represents just a fraction of the overall construction industry. Both nonresidential building and public works—which includes such projects as roads and sewage systems—are expected to increase significantly in 2007 and beyond, according to FMI's forecast. Spending in nonresidential construction—including offices, schools and commercial space—is expected to rise from \$350.50 billion in 2005 to \$384.90 billion in 2006 and \$419.90 billion in 2007. Similarly, public works construction project expenditures are projected to increase from

\$136.50 billion in 2005 to \$149.10 billion in 2006 and \$159.80 billion in 2007.

Despite the slip in the residential sector, FMI predicts that construction industry spending will continue to show steady growth, moving from \$1.110 trillion total construction put in place in 2005 to \$1.160 trillion in 2006 and \$1.180 trillion in 2007. "As usual, the three main sectors of the construction market are working to balance each other out," said John Weatherhead, publisher and general manager of Reed Construction Data's Associated Construction Publications, a network of regionally based trade magazines.

TRENDS TO WATCH

Weatherhead is particularly optimistic about the construction industry's growth, and said there are many opportunities for marketers and vendors to take advantage of it. In particular, he points out three major trends that should have long-term traction:

■ **Green construction.** Being environmentally friendly and energy conscious is becoming a serious part of the construction process, Weatherhead said. "It is being required to some degree in all government building and within five years will be the standard across the industry," he said. "Incentives to go green will push the process. Companies that stayed away from the trend a couple of years ago are now looking for ways to go green."

■ **Building information management (BIM).** With BIM, all parties—owner, architect, engineer, contractor, subcontractor and suppliers—sit down at the beginning of a construction project to optimize cost and process controls, Weatherhead said. "Jobs that have made use of BIM have significantly reduced costs and



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construction time," he said. "A totally integrated BIM environment results in the elimination of bidding that translates to a savings for the contractor, eliminates shop drawings (thereby speeding up the process and improving profit, prevents cost escalation), eliminates punch lists and finger pointing, minimizes errors and omissions, and facilitates online payment of requisitions."

■ State and local public works projects.

"Due to increased tax revenue at the state and local levels, there has been an increase in building and road construction at these levels," Weatherhead said. "In some regions, the local governments have grown tired of waiting for federal [money] and have tackled projects on their own, some with creative financing."

Nesbitt said he doesn't know if green construction is a hot market—yet. "I'm not sure if it will do well or simply stagnate in the short term," he said. "However, in the long term, it should gain serious traction. I see the need for

more energy-efficient construction as a bigger opportunity for marketers to capitalize on right now."

BEST MARKETING PRACTICES

Best practices for companies that market to the construction audience are changing significantly, said John Favalo, managing partner and director of marketing agency Eric Mower & Associates' Group B2B practice. The industry is dealing with factors such as increased demand, major increases in the costs of materials and labor, the impact of technology on the planning and building process, and the stability in the financial markets. And these factors greatly affect savvy vendors' marketing tactics, Favalo said.

For instance, many marketers still have blue-collar perceptions of construction workers and find it hard to believe that one of the best places to reach them is on the Web. "Con-

tractors and their labor use the Internet every day in the course of their jobs to do research, check on deliveries, verify plans and schedules, and communicate with each other," Favalo said. "In some trade categories, the incidence of Internet usage during work hours is an astounding 100% and, on average, construction people use the Internet more frequently for business than they do personally."

This need to be connected on the job means the construction industry will be one of the most lucrative markets for mobile b-to-b marketing once it comes into its own, Favalo said. "[Our] client Motorola recognizes this reality and is accelerating development of mobility products that will service institutional, commercial and governmental construction areas," he said.

Jim Sexton, senior VP at Scripps Networks Interactive, agreed that the Internet has become a vital way to connect with contractors.

His company produces HGTVpro.com, the b-to-b companion to Home and Garden TV's consumer site. "I see many traditional b-to-b publishers that have pretty weak content, almost like being b-to-b means you have to be boring," Sexton said. "We approach building professionals just like we approach consumers. The content has to be relevant, interesting and dynamic."

Even a traditional publisher such as Hanley Wood's Nesbitt realizes that multichannel, integrated marketing tactics should mine the opportunities to reach and engage construction audiences. "Our targeted online programs are selling like never before—because they're working like never before," Nesbitt said.

TRIED AND TRUE TACTICS

Regardless of the tactics used, online or off, construction audiences prefer to invest in tried-and-true products and services rather than the latest ones, regardless of the benefits they tout, Favalo said. "Innovative products—highly valued in other markets—are eschewed in favor of products that 'work like they always do,'" Favalo said. "Even great and well-respected brands have trouble launching products that... are deemed 'too new.'"

To get over this sizable hurdle, marketers need to get products into the hands of end users, Favalo said. "Demonstrations, free trials

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and sampling are more important than ever. Construction audiences need to use the equipment and services to accept, trust and, ultimately, buy them."

Public relations and viral marketing add an overlay of trust and credibility to any marketing effort and are

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extremely effective when targeting construction industry decision-makers, said Sue Reninger, managing partner, client brand strategy at Columbus, Ohio-based marketing agency RMD Advertising. "The two disciplines used together dispel any concerns about lack of tenure as a brand or capabilities of newer products, and let your happy customers do the marketing for you," Reninger said.

One of RMD's clients, Gorman Rupp Co., markets industrial construction pumps. Though the com-

pany's products are often more expensive because of research, development and support costs, they outperform the competition, Reninger said, and customers are willing to confirm this.

"We use these customers to speak to others, and know they're known not only as a category leader but as a company that produces nearly 3,000 different pumps, all of which offer a lower total cost of ownership than any other brand," she said. □

"I see the need for more energy-efficient construction as a bigger opportunity for marketers to capitalize on right now."

John Weatherhead, publisher and general manager, Reed Construction Data's Associated Construction Publications

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