Executive Overview

Overview: Building Owners and Architects Surveys

In the building products and services industry, the dynamics between owners and architects is creating a fundamental change for manufacturers. Professional building owners, whether they are individuals or corporations, have developed a level of data and working knowledge of their proposed new buildings prior to the involvement of any architect or creation of any public construction document. All ancillary experts contracted by the owners – including architects, specification writers, construction managers, general contractors, etc. – are responsible for designing and constructing the project consistent with the wishes of the building owner. Unless or until the owner is dissuaded from his original plan, the building will be built exactly as intended.

The architectural community, while still at the forefront of design, continues to move away from specific material and product/services selection and prefers to write specifications that include several equal or alternate manufacturers. Increasingly, sophisticated owners have taken charge of the material/products/services selection process, particularly those that have greater impact on the performance of the building.

Architects today are as busy as they have ever been and their backlog, while encouraging for future work, suggests that their time constraints will become even greater. New technologies and a growing number of communication channels have bombarded architects with more information than they can assimilate. Studies show they have less time than ever before for salespeople and manufacturers' representatives. Manufacturers have responded with even greater programs to ensure that all possible outlets are covered in their efforts to communicate their messages to the design teams.

This report is the result of two surveys of over 30,000 building owners and architects, along with interviews of senior design and construction executives from the owner community. The report examines the trends, priorities, preferences and decision-making processes of these important groups.

Research Objectives

- To provide sufficient data and guidelines for manufacturers to effectively and competently develop relations with building owners that lead to increased sales.

- To provide solid data on the priorities and preferences of architects that will enable manufacturers to plan effective strategies to reach this critical target audience.

- To increase the level and effectiveness of the communications between material manufacturers, architects and designers, and professional building owners.

Increased owner involvement is likely to continue as more owners assume greater control over the construction and performance of their buildings and properties. The future will hold new applications for products and services that offer a stronger focus on long-term performance and life-cycle costing. Manufacturers that can demonstrate true value in reduced energy costs, greater efficiencies and higher security levels will have better opportunities for their products and services. Partnerships between owners and suppliers will increase, creating relationships that will result in buildings with greater operating efficiencies, healthier indoor air quality and sustainable characteristics.

For manufacturers, the competition to have their products and firms evaluated and approved continues to increase; building owners evaluate 3.2 suppliers on average within a specific product category prior to making a purchasing decision. At the same time, building owners believe the amount of time spent with manufacturers over the course of a week has declined during the past three years. Today, the selling points to become a preferred vendor may have more to do with honesty, integrity and a reliable track record than name recognition and low prices.

According to the survey findings, architects and building owners intimate a sense of satisfaction with a representative's product knowledge. The attribute that may set a manufacturer representative apart from competitors is a thorough understanding of the client's business, as well as the ability and willingness to solve problems. There is a clear sense in the construction community that the best representatives care about the finished project. Architects, in particular, are looking at manufacturer representatives' "ability to provide hands-on assistance with specific project detailing."

Practical training and knowledge of the client's needs are critical when stacked against the knowledge that 95% of the surveyed architects indicate that they initiate contact with manufacturers for "project-specific information only." Ultimately, "project architects" are cited 48% of the time as the final decision-maker regarding the acceptance and specifications of new products.

During the sales process, leaving behind tangible elements is important. Beyond basic product criteria, more than two-thirds of the surveyed architects said "providing samples" and "comprehensive technical literature" are what firms value most during the decision-making process.

When considering new products, 75% of architects are most likely to rate "product quality and reliability" as very important. "Manufacturer reputation" ranks second, with 40% of architects surveyed rating it very important. It's interesting to note that "name recognition" ranks as the least important criteria when specifying new products. Only 7% said "name recognition" is very important and 5% said it was not important.

Becoming a preferred vendor should not be seen as the end of the sales process. Rather, it is the beginning of a partnership. About half of the building owners surveyed (44%) say preferred vendors "participate in our success" when describing their relationship. Another one-third describe preferred vendors as "partners in the building process." This relationship directly benefits suppliers and their clients. On average, building owners estimate that "preferred vendor products" actually end up in the finished project 71% of the time.

Key Findings

The influence of professional building owners is the growing force in the construction and products/services industry. For the record, we have defined professional building owners as having a $35 million dollar construction budget and a centralized decision-making process with an in-house construction and design team, with the management decision to own or occupy their buildings for the long haul. While there is admittedly some gray area at the edges of this description, it does cover the majority of the owners who are taking more control over the building process and making product decisions before the purview of the design community. In most cases, these owners work with a group of outside A&E firms and deliver a set of preliminary parameters for design and preferred vendors to those firms.

Building owners taking part in this study represent a wide range of senior-level decision-makers from a diverse set of buildings, including: commercial office buildings (45%), educational facilities (28%), industrial buildings (17%) and health care facilities (17%), as well as government (16%), residential (15%) and retail facilities (13%), among others. In this study, we focused on the priorities, preferences and procedures of the owners. The survey respondents supplied us with their comments on the importance of quality, partnerships, communications and levels of relationships with vendors. They outline important vendor attributes, the sales process (from the building owner's point of view), the relationship between building owner and preferred vendor and how to become their preferred vendor.

A combination of answers from our surveys and interviews confirms the trend of greater involvement by the owners, but it also shows that the trend is not uniform. There are some owners who have become quite sophisticated with their pre-construction process and products/services evaluation and selection. There are others of considerable size and scope who are just recently ramping up their programs.

A common theme among the owner executives is their interest in partners rather than just products. These large-scale owners have the ability to purchase whatever product suits the need. However the trend is to seek out those suppliers who can partner with owners and assist in their efforts to further their goals and keep them on the cutting-edge of product and service technology. On the plus side for suppliers, once the relationships have been established, they typically last a long time. The leading reasons for disengaging from a supplier are that they have done something unforgivable in the eyes of the partner, such as changing the product specifications and/or persistent delivery problems.

Owners have several different levels of relationships with vendors, ranging from approved suppliers to corporate accounts; and for the select few, direct purchases. In any regard, owners expect their supplier partners to keep them on top of new developments in products, technology and industry trends.

The owners participating in our survey have an average annual construction budget of over $35 million dollars. On average, their budgets increased more than 14% from 2005 to 2006, and are forecasted to grow an additional 10% in 2007.

Preferred Vendors' Key Attributes

- When building owners are asked what it takes to become a preferred vendor, their responses typically involve an evaluation based on reliability or a history of success. They are looking for technical expertise and problem-solving more than a slick sales pitch and the promise of low prices or future savings. We learned that there are various levels of vendors, from approved commodities to corporate accounts to direct purchasers. Preferred vendors are expected to be honest and forthcoming and to demonstrate integrity.

Preferred Vendors

- Almost half of all survey participants (44%) say preferred vendors "participate in our success" when describing their relationship. Another one-third describe preferred vendors as "partners in the building process."

- Owners have a clear set of products and systems that capture their attention more than others. However, almost all products that can demonstrate clear advantages in price, profit, sustainability, time savings and other areas will be considered. On average, building owners estimate that preferred vendors' products actually end up in the finished project 71% of the time.

- Almost two-fifths (39%) of building owners consult with preferred vendors on design considerations "regularly." This differs considerably from architects who seem to prefer minimal contact with manufacturers.

- On long-term strategies, almost half of the building owners say they consult with preferred vendors "regularly" (23%) or "once in awhile" (25%).

- Preferred vendors are expected to voluntarily bring product and technology updates to the owners and keep them on the cutting-edge.

Sales Calls

- On average, building owners see 2.7 salespeople/reps a week.

- Overall, building owners believe the amount of time spent with manufacturers over the course of a week has declined during the past three years. On average, the time is estimated to have decreased 3.9% per week. This is contrary to all phone interviews in which the owners stated their involvement with manufacturers is up significantly.

- Building owners estimate spending an average of 33.3 minutes with each sales representative.

- On the whole, building owners are less satisfied with sales representatives' "ability to solve problems" and their "understanding of their business" than their "product knowledge" and "technical expertise."

- On the whole, building owners feel manufacturers could do more preparation or "homework" prior to the first sales call or meeting.

- On average, building owners evaluate 3.2 suppliers for a product category prior to making a decision. The product evaluation continues even after the sale is made – with your products and your competitors.

- Building owners' three most preferred methods of receiving information from suppliers and manufacturers' representatives are:

• In person calls	23%
• Electronic mail	22%
• Web site review and downloading	21%

Marketing and Communication

- BOMA (20%) and IFMA (20%) tradeshows are typically attended most frequently by building owners.

- Publications read most regularly by building owners responding to this survey are:[1]

• *BUILDINGS*	70%
• *Facilities Magazine*	55%
• *Building Design & Construction*	54%
• *Building Operating Management*	52%

- Overall, one-third of all building owners surveyed visit manufacturers' web sites either "several times a week" (20%) or "weekly" (13%). Another 25% of the survey participants visit manufacturers' web sites "several times a month."

- On average, building owners report the most important information they look for on a manufacturer's web site is "specifications", "standard details" and "photos."

Building Owners' Operations and Preferred Methods

- The top three ways building owners prefer to communicate with vendors putting products into their building(s) are:

• Directly with the Vendor	69%
• Through the Contractor	65%
• Through the Architect	59%

- More than four out of five (86%) building owners "prefer to make contact ourselves" with suppliers when necessary. This is an interesting statistic in light of the constant reinforcement from owners about how suppliers are expected to bring new technology and updates to their doors.

- The building owners surveyed in this study indicate that their most preferred primary sources of information are "architects" (22%), "peers" (14%) and "ads and articles in business publications" (10%).

- When datelining which brand to recommend, building owners rate "product quality and reliability," "maintenance/service" and "manufacturer reputation" as first, second and third most important, respectively. Price is always a factor. Owners list these standard qualifications about products but they look for those suppliers who can "make the case" for their products, particularly regarding, cost savings, energy savings, sustainability and more.

- Forty-four percent of building owners employ outside A/E firms for ***new construction*** "on every project."

- Forty percent of survey respondents employ outside A/E firms for ***modernization*** "very often, but not on all projects."

- One-third of all building owners surveyed indicate they issue preferred brands for building products to outside A/E firms to be written into specifications for ***new construction*** "very often, but not on all projects."

- About one in three (35%) building owners surveyed issue preferred brands for building products to outside A/E firms to be written into specifications for ***modernization*** "very often, but not on all projects."

- Preferred brands end up on the project about 71% of the time.

- Overall, building owners estimate that their 2006 construction budget increased 14.1% vs. 2005.

- Looking ahead to 2007, building owners estimate that their construction budget will increase 10.3% compared to 2006.

About the Building Owners

- “Owner/CEO/President/Partner” (10%) and “VP/Director of Facilities/Buildings” (16%) combine to represent 26% of the survey participants. The single largest group that participated in this study is “Facility/Building Managers” (23%).

- On average, study participants currently own or manage 30.4 buildings.

- Overall, the study participants manage or own an average of 1.9 million square feet of building space.

- On average, building owners taking part in this survey estimate their total 2006 construction budget to be $35.8 million.

- “Commercial office buildings” (45%) and “educational facilities” (28%) are the most common facilities owned and/or managed by survey participants.

- Building owners surveyed for this study most commonly indicate that either they or their firm are a member of BOMA (Building Owners & Managers Association) (33%) and/or IFMA (International Facility Management Association) (32%).