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Three Ways to Keep Your Clients From Defecting to the Competition

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We've all been there before. You're out on a date, the conversation is going seemingly well, and you make plans to see each other again. But then there is radio silence. No calls or text messages, nothing. What went wrong?

This kind of “disappearing date syndrome” is surprisingly similar to what contractors experience on a daily basis with their clients. You thought the conversation went well, you both agreed that you'd be a good fit for the project, and yet nothing happens. You might ask yourself, “Is something wrong? If so, why didn't he or she tell me?”

FMI's industry research shows that nearly one-third of the typical construction firm's regular clients fall into this kind of “unknown defector” or passively satisfied client category. In today's construction environment, where business development and customer retention have become increasingly competitive, losing such a client can be devastating.

In this article, we provide insight into customer loyalty in the construction industry and outline three successful strategies for turning passively satisfied clients into long-term fans and promoters. Findings are based on decade-long research involving more than 5,000 industry stakeholders.

The Art of Customer Loyalty

According to Harvard Business Review (HBR), research shows that, in most industries, there is a strong correlation between a company's growth rate and the percentage of its customers who are “promoters”—that is, those who say they are extremely likely to recommend the company to a friend or colleague. “Customer loyalty is about much more than repeat purchases. Indeed, even someone who buys again and again from the same company may not necessarily be loyal to that company but instead may be trapped by inertia, indifference or exit barriers erected by the company or circumstance,” writes Frederick F. Reichheld in HBR's “The One Number You Need to Grow.”¹ “Conversely, a loyal customer may not make frequent repeat purchases because of a reduced need for a product or service.”

To help companies overcome these issues, Reichheld developed Net Promoter[®], a method that companies can use to rate their customers (on a scale of 0 to 10) and organize them around three different categories: promoters, passively satisfied and detractors. Promoters form long and profitable relationships with a company; passively satisfied customers are neither strongly loyal nor disloyal; and detractors feel like they've been treated badly (and, as such, are more likely to defect to the competition).

¹ “The One Number You Need To Grow.” Frederick F. Reichheld. Harvard Business Review. December 2003.

FMI's own research supports Reichheld's assertions. Based on more than 5,000 contractor-client responses, we found that approximately one-third of the typical contractor's clients are on the fence or passively satisfied and will shop for other options.

Three Ways to Turn Passively Satisfied Clients Into Promoters

From our research spanning multiple years studying contractor-client relationships, we learned that most contractors are unaware that 30% of their clients could drop them at a moment's notice. This alone should push more companies to want to understand who these clients are and then figure out how to turn those clients into promoters or fans. And while it may seem easier said than done, FMI's research shows that getting the following three areas right can turn passively satisfied individuals into fans (and, ultimately, long-term, loyal clients).

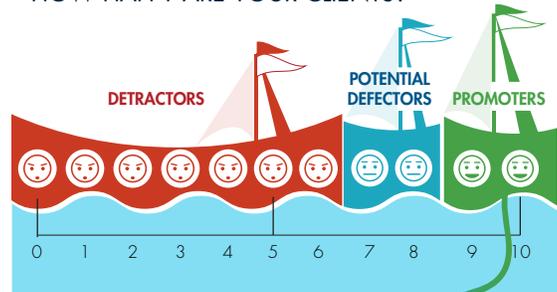
1. An undying commitment to exceptional client service. Clients want their needs met and they want to be heard if they have questions, complaints or feedback. Based on these realities, it's easy to see why the company that is responsive and understanding to these needs is the one that will grow a loyal customer base and drive long-term, repeat business. Looking outside of the construction industry for a moment, companies like Disney embody the concept of exceptional client service. Well-known for its undying commitment to making its customers happy, Disney operates on the motto that an organizational framework properly unites people, place and processes by placing the

Exhibit 1

Construction Industry Statistics for Promoters, Passively Satisfied Clients and Detractors



HOW HAPPY ARE YOUR CLIENTS?



CUSTOMER LOYALTY IN CONSTRUCTION
30% OF CONTRACTOR CLIENTS ARE POTENTIAL DEFECTORS



3 WAYS TO TURN YOUR PASSIVELY SATISFIED CLIENTS INTO PROMOTERS:

- EXCEPTIONAL CLIENT SERVICE
- DEPENDABILITY
- CULTURE OF TEAM SPIRIT

Data Source: FMI Research Services. Statistics are based on more than 5,000 contractor-client responses.



customer at the center of the equation. This in turn makes exceptional service possible across numerous client touch points.

However, excellent client service does not simply come from a friendly transaction or helpful technology, according to the Disney Institute. Rather, it is the result of truly understanding your clients' expectations and putting the right guidelines and service standards in place to exceed them. For example, the company's front-line employees are empowered to perform because they are equipped with the right tools and clear service expectations.

One of our industry studies in the education sector revealed how one general contractor was working with an owner whose primary concern was student safety and education. Instead of responding with a traditional safety program approach, the GC used the project as an on-site learning lab for the school, teaching students about architecture, engineering and construction—including on-campus field trips to talk and interact with subject matter experts. The owner was thrilled with the unusual approach, and the GC became a partner in the school's mission. This kind of innovative and customer-centric approach to service is a good example of how contractors can forge long-lasting relationships and develop promoters in their community.

2. A willingness to deliver over-the-top dependability on every project. Construction projects often run on very tight and highly regulated timelines without any room for setbacks or delays. When things fall behind, the appropriate individuals need to take steps to get the project back on track quickly and efficiently. By handling quality control, scheduling, constructability reviews and other project elements in a professional and expedient manner, construction firms can establish



themselves as dependable business partners. And the more successful projects that they wrap up for specific clients, the more those clients will come to depend on those providers for more and more work. This cycle of dependability is one of the best ways to convert passively satisfied clients to promoters. It also helps your company stand out—namely because so few organizations are known for over-the-top dependability in today’s construction environment. In fact, our research showed that being on time actually trumped being on budget in most cases.

3. Developing a work environment that embodies team spirit and collegiality.

We know you’ve heard the saying, “You’re only as strong as your weakest link.” This phrase definitely holds true in the business environment, where one bad apple, one disgruntled employee or one project manager who is having a bad day can turn a loyal client into a detractor. One of the best ways to avoid this problem is by cultivating a work environment of team spirit and collegiality. By investing in your people, helping them achieve their own goals, developing a genuine interest in their success and well-being, and always treating employees with respect and dignity, companies can create a level of team spirit and employee engagement that could be difficult for competitors to emulate. This, in turn, helps set the team players apart and entices clients to do business with them (and promote this commitment to other, potential clients). In FMI’s experience, companies with a strong culture have greater success driving out positive relationship-building behaviors to front-line employees and reaching those who have an opportunity to impact a client’s experience. This can be critical in swaying undecided buyers to become reliable repeat clients.

Recalibrating Your Client Focus

If any of the three recommendations are foreign to you—or if they’ve made you sit up and think about how well (or how poorly) your firm is doing in any or all of these areas—then now is the time to make some changes. Start by asking yourself these three questions:

- Do you understand your passively satisfied clients?
- Do you have the right performance metrics in place to measure your clients’ satisfaction?
- What activities are you focused on (or can you implement right now) to convert your passively satisfied clients into promoters?

Understanding client behavior—what makes them tick, how they make decisions, how they buy work—has become a critical element in today’s business dealings, particularly in the construction industry where people and relationships play a key role. By benchmarking your company’s efforts against best-in-class companies, either in or out of the construction industry (or preferably both), you can begin to whittle down that 30% statistic (i.e., the number of clients on your roster that would jump ship if given the right opportunity) while also increasing your number of promoters. This will result in a powerful engine of sustainable, profitable growth and will allow you to advance against your competition over time.



About FMI

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FMI serves all sectors of the engineering and construction, infrastructure and built environment industries as a trusted advisor. More than six decades of industry context, connections and leading insights lead to transformational outcomes for our clients and the industry.

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