

Executive Report: Business Development for Commercial Interior Fit-out Companies in New Zealand

Summary

This report examines the commercial interior fit-out industry in New Zealand from a fresh business development perspective.

Market research including competitor analysis and gaining an understanding of core business operations has been undertaken. This has identified best practice and value opportunities.

International research has not been undertaken however, this would be an important future step to interested companies to identify world class industry practice. The author has experience in the United States and Australia and significant skills in research and implementation of practical opportunities from around the globe.

Success factors critical to a high performing company in the commercial interior fit-out industry are presented.

Commercial interior fit-out appears to be highly competitive but few market participants offer a world class comprehensive service. There is opportunity to do better than most if a planned and proactive approach is taken to business development.

We conclude with a practical 'approach to the role' checklist for business development managers in commercial interior fit-out companies.

Author Relevant Experience

The author has limited previous exposure to the commercial interior fit-out business, including:

a) Development and project management delivering new and refurbished commercial office space developments to office, warehouse and retail tenants to complete their own fit-outs. This role, primarily as a Development Manager from 1998 to 2000 included close co-ordination with tenants and the tenant's fit-out designer and contractors so base works were successfully delivered according to the tenants Agreement to Lease.

b) Project and construction management of numerous residential apartment 'show home, sales office and marketing display' fit-outs in existing or purpose built commercial space.

c) Sharing an office, information and war stories with a commercial interior fit-out company.

The author has broad experience in property development and property related business development.

Business development roles include senior positions often with no prior experience and either developing the business from scratch, or pick up an existing operation with a focus to renewal, service expansion and revenue growth.

These roles have been diverse including:

a) Assumed General Manager of a 166 room hotel originally earmarked for demolition but required to stay in operation during the GFC. Revenue was lifted, net profit improved and hotel marketing, operational systems and processes were overhauled in addition to navigating a 'reflagging' of the property.

- b) Founded, built and ran a software business to enable online collaboration for projects. This business improvement system was used on many large projects including four hospitals, four prisons, Dunedin airport, the North Shore busway and the Auckland Rail station upgrades.
- c) Set up the inaugural office of Royal Institution of Chartered Surveyors in New Zealand. This was a regional general manager position and involved localising RICS processes, systems and starting an aggressive membership drive. This role kicked off RICS New Zealand as now the fastest new member per capita country for RICS globally.
- d) Expanded a New Zealand property development company into the United States. This included establishing a network of contacts including consultants, attorneys, financiers, contractors, real estate agents, public relations and marketing agencies, council political figures and investor groups. It involved setting up process and systems specific to development management in the local jurisdiction.

Drawing from wide industry experience and a constant search for a better way the author is well placed to cross fertilise ideas and apply process to improve business performance in the commercial interior fit-out business.

Commercial Interior Fit-out Business

Information has been collected and analysed from these 36 companies who are involved in interior fit-outs either as a core focus or one part of their suite of service offering:

www.rcp.co.nz/services/project-management
www.hamptonjones.com/projectmanagement.html
www.colliers.co.nz/Services/Project-and-Building-Consultancy/

www.jll.co.nz/new-zealand/en-gb/services
www.propertygroup.co.nz/our-expertise/corporate-real-estate/
www.thebuildingintelligencegroup.co.nz/what_we_do/
www.beca.co.nz/services/project_cost_management.aspx
www.practec.co.nz/what-we-do
www.built.co.nz/services
www.tulpandwalker.co.nz/AboutUs.html
www.keycommercial.co.nz/
www.hitech.co.nz/services/
www.thewellmangroup.co.nz/
www.spaceworks.co.nz/office-projects/project-management/
www.shearsandmac.co.nz/commercial-fit-outs-auckland/
www.accentconstruction.co.nz/About.html
www.gartshore.co.nz/auckland/commercial-interiors/
www.cemac-auckland.co.nz/Commercial-Fitout
www.malcolmsumner.co.nz/Services.html
www.awinteriors.co.nz/commercial
www.forman.co.nz/About1/Forman-Commercial-Interiors
www.carpintero.co.nz/gallery/fit-out-commercial.html
www.fitoutconstruction.co.nz/
<http://www.aztecbuilders.co.nz/commercial-projects/>
www.odg.co.nz/PROCESS.html
www.cobaltinteriors.co.nz/
<http://www.bmlbuilders.co.nz/wawcs0140293>
www.alba.co.nz/commercial-interior-fit-outs-auckland
www.greenstonegroup.co.nz/fitout--tenancy
www.projectmanagementauckland.co.nz/
www.pragmatix.co.nz/Services.html
www.terrafirma.co.nz/
<http://coffey.com/our-businesses/projects/projects>
<http://hawkinsconstruction.co.nz/interiors/>
<http://www.fletcherconstruction.co.nz/about>

This list is not intended to be exhaustive nor does it seek to represent the largest, best or most profitable interior fit-out companies in New Zealand. The list does represent a broad cross section of commercial interior fit-out companies. Extracts of interesting aspects to their service offering and approach are available on request.

From analysis of these companies we isolate the core functions involved in commercial interior fit-out projects:

1. Client solicitation and engagement.
2. Brief formulation/understanding.
3. Bid/Tender preparation.
4. Contract negotiation.
5. Design & specification management.
6. Procurement (Trades, joinery, materials, signage, communications, FFE).
7. Construction and Project Management including: budget, programme, quality and variation control, payment drawdowns, H&S, consents and access coordination.
8. Client communication, reporting and expectation management.
9. Handover, certification, defects management, warranties, relocation awareness, clean up and project closeout.
10. Client follow up.

Key operational requirements are noted:

1. Business development – marketing, advertising, relationships, client management, strategic direction, tactical actions.
 2. Product and pricing knowledge/ expertise
 3. Design and spatial functionality knowledge/ expertise.
 4. Supply chain management including sub-contractor relationships and bulk/alternative pricing.
 5. Internal team resource management (skills, training, time management, capacity, tools & technology, holidays & scheduling, hiring, retention, remuneration).
 6. Overheads, P&L control and forecasting.
- To be successful at commercial interior fit-out these factors are critical:**
1. Superb client communication.
 2. Understanding client stress and liabilities to an impending move.
 3. Careful evaluation and understanding of the client brief.
 4. Closely coordinated sub-trades.
 5. Product and material sourcing and delivery timeliness to critical path.
 6. Stickler for quality control, especially items that have high visibility (signage, reception joinery/tops, entrances, lighting).
 7. Ability to advise client on OPEX savings and staff productivity improvements thru fit-out plans and specifications.
 8. Understand the relevant detail of the base build or required landlord upgrades as well as landlord motivations and tenant expectations of landlord works.
 9. Ability to break out or combine trades where beneficial at project or business level.
 10. Rigorous and double checked cost estimates.
 11. Supplier pricing and lead time control and alternative sources.
 12. Ability to negotiate pricing strategy to client's propensity to variations or budget constraints.
 13. Effective delegation to and effective accountability of Site Manager.
 14. Run a tight ship, clean sites, safe and secure, professional and especially if there is client interaction friendly trades on site
 15. Tight documentation practices.
 16. Coordination is critical- inter-trades and landlord works especially building services.
 17. Promptness starts with returning the phone call and delivering a timely quote.
 18. Key knowledge of client type characteristics – where they value quality and where they value savings.
 19. Ability to manage one 'clients' multiple decision makers.
 20. Be able to demonstrate your expertise at maximising value to win new work and gain repeat business. A selection of white papers and 'tips of the trade' from commercial interior fit-out companies has been collected and evaluated. Such documentation could be supplemented by

speaking at seminars, conferences and university courses – all to increase market credibility to those clients who have not yet experienced your service.

21. Cash flow management.

Two interesting themes with alternatives approaches, pros and cons became apparent during market analysis:

1. Independence and supposed impartiality versus one stop shop. That is the separation of project management, designers and contractors versus total package design builders.
Also the discussion of independence of the provider from transactional services (landlord paid commission) and fit-out services (tenant paid fees).
2. Manufacture of joinery (one of the main supplies for interior fit-outs) in-house or outsourced?

Approach to the Role

We have developed a checklist of activities for a comprehensive approach to business development for commercial interior fit-out companies.

This checklist includes a practical mixture of:

- A. Review and analysis of existing operations
- B. Strategic planning and programmed action goals
- C. Introducing gradual improvement and cost efficiency to operations
- D. Revisiting revenue sources and expanding most those most profitable
- E. Developing new sources of revenue

Commercial interior fit-out company business development checklist:

1.0 Team Observation

- 1.1 Learn the existing companies approach to interior fit-out design and project management.
- 1.2 Get to know the team and what makes them tick, limitations, stress points, opportunities and psychology.
- 1.3 Understand current process, technology, methodology and systems.
- 1.4 Review job descriptions and role activities, look at skill sets utilised, skill sets underutilised, spare capacity, growth potential, applicability to current workload, production efficiency against industry standards

2.0 Business Plan and Strategy Review

- 2.1 Review all existing business plans, marketing plans, operational manuals and actions, strategy documents, forecasts and other guiding documentation.
- 2.2 Examine industry best practice documentation and examples.
- 2.3 Undertake Gap analysis between current internal practice and industry best practice (or most profitable practice).

3.0 Financial Observation

- 3.1 Examine business unit P&L and individual project profitability, including fixed versus variable costs, turnover and margin control.
- 3.2 Review supplier contractual and pricing arrangements.
- 3.3 Review client contractual and pricing arrangements.
- 3.4 Review cash-flow management and forecasts.

4.0 Current Service Offering Analysis

- 4.1 List all services provided, filter and rank accordingly to:

- Profitability
- Turnover
- Sales cost per \$ revenue
- Resource required
- Client type

4.2 Compare service offering to other providers.

5.0 Current Client Analysis

5.1 Determine current client communication boundaries:

- Who has relationships with who?
- Who is best placed to continue those relationships?

5.2 Client characteristics:

- Who, core characteristics what type of business, location, size, personalities?
- Why did they choose this company?
- How much have they spent with this company?
- How much profit has the company made from this client?
- One off or repeat, if repeat why?
- Is this company performing for them?
- Any past or current issues?
- Clients feeling the love?

5.3 Existing client quick wins:

- Any obvious opportunities?
- Is there something right now we can give them a little bit of wow factor?
- Can we upsize our current offering to them?
- Do they know everything we can currently offer – and is the time right to discuss this?
- Have we offered/asked for other business from them, not related to this project?

6.0 Tender Management Analysis

6.1 What is the volume of tenders undertaken by price, number and by potential profitability?

6.2 What is the success rate?

6.3 What makes a successful tender or RFP?

6.4 What is this companies approach to tenders?

6.5 Are tenders looked at as marketing opportunities?

6.6 What is the cost per tender submission, broken down by project value?

6.7 How does this company compare against industry best practice tender submission and management?

6.8 Examine formal competitive versus informal or invited tender processes, success and profitability

7.0 Pain Point Analysis

7.1 What are the most difficult parts of the interior fit-out business?

7.2 What fires are we currently fighting?

7.3 What are the most time consuming activities for lowest return?

7.4 Table all staff issues, proposed solutions or opinions.

7.5 Isolate industry wide versus specific company issues.

7.6 Filter and prioritise issues:

- Impact on customer satisfaction
- Impact on absolute profitability
- Impact on turnover and cash-flow
- Impact on staff resource and moral
- Impact on business growth

8.0 Current Marketing Analysis

8.1 Current marketing initiatives.

8.2 Past marketing initiatives and success measurement.

8.3 Advertising mediums and budget.

8.4 Past and current return on advertising.

8.5 Referral network success:

- Architects/ interior designers
- Business groups
- Furniture makers, joiners
- Subcontractors
- Consultants & other property advisors
- Industry association affiliations

- Non-industry (potential client) association affiliations
- Conferences, seminars
- Shared marketing opportunities
- Supply chain marketing integration – exclusive or performance based arrangements

8.6 Prospect management (CRM) processes and systems:

- Do we target similar clients with similar core characteristics?
- How do we record and follow up enquiry?
- Where/ how is formal versus informal prospect management?
- Learn from industry best practice prospect management process.

9.0 Competitive Advantage Analysis

9.1 Who is winning the jobs that this company is not and who are these clients?

9.2 Who are competing at a different level to this company and what do they offer?

9.3 What resources do competitors have?

9.4 What sets them apart/unique selling proposition?

9.5 How do competitors charge?

9.6 Who are their staff – what do we know about their staff motivations and remuneration?

9.7 How does this company currently compare on these attributes?

10.0 Create Draft Plans for Discussion and Implementation

10.1 Priority Operational Plan – actions to resolve or isolate pain points to free the way to move forward as well as any identified quick wins.

10.2 Operational Improvement Plan – systems and processes identified and implemented (cautiously considerate of which battles to take on or not) to improve current business performance.

10.3 Marketing Plan – actions to create and secure opportunity.

10.4 Other plans as necessary to support the overall Business and Strategy Plan.

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