



Civil Rights Division
Small Business Development Program
DBE Supportive Services

5 KEY MARKETING TACTICS TO PROTECT YOUR MARGINS & IMPROVE PROFITS

Supportive Services Program Manager & Consultant

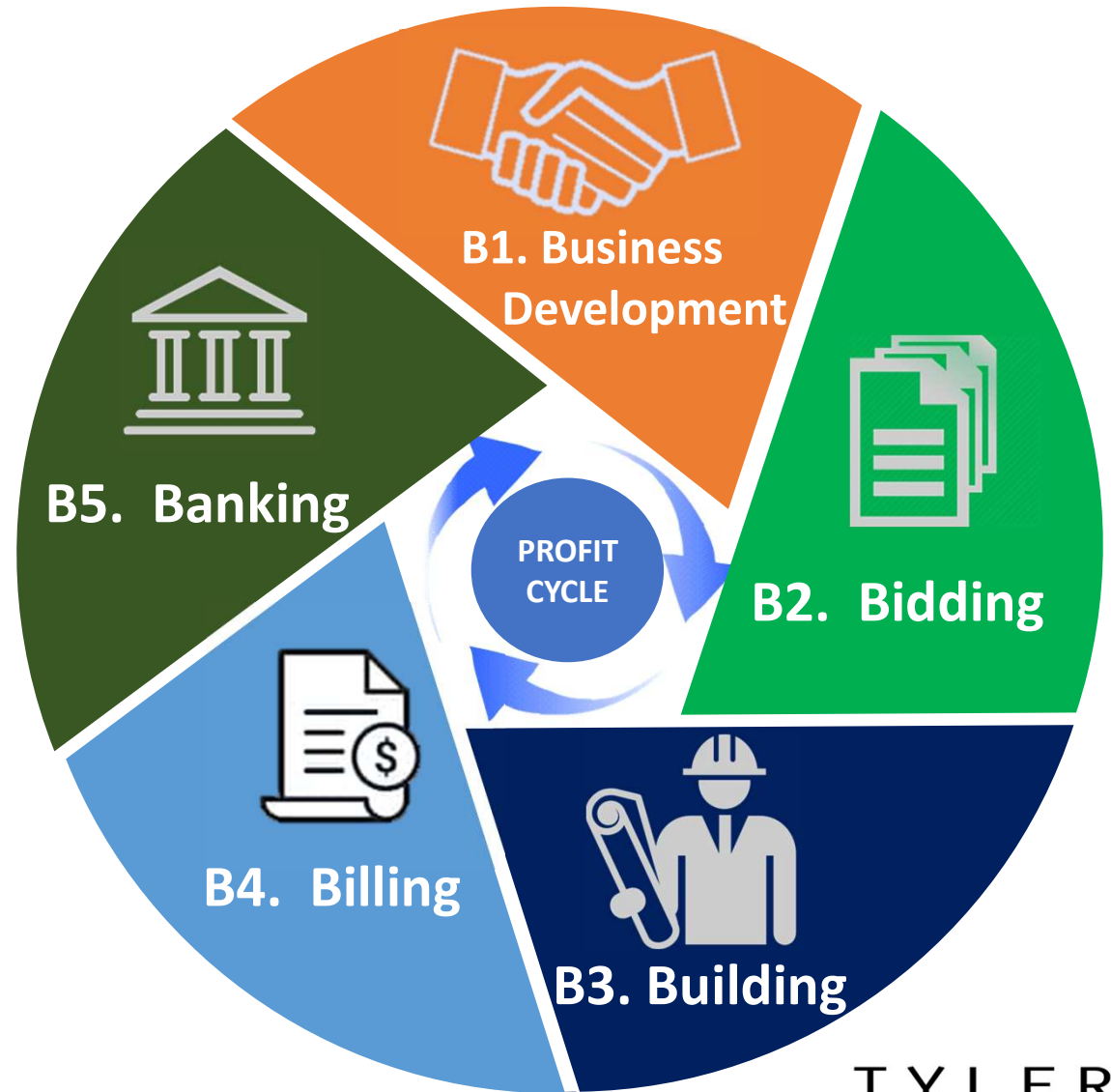
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Construction Engineers, P.C.

Nashville, Tennessee
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Modules

Project-based Business



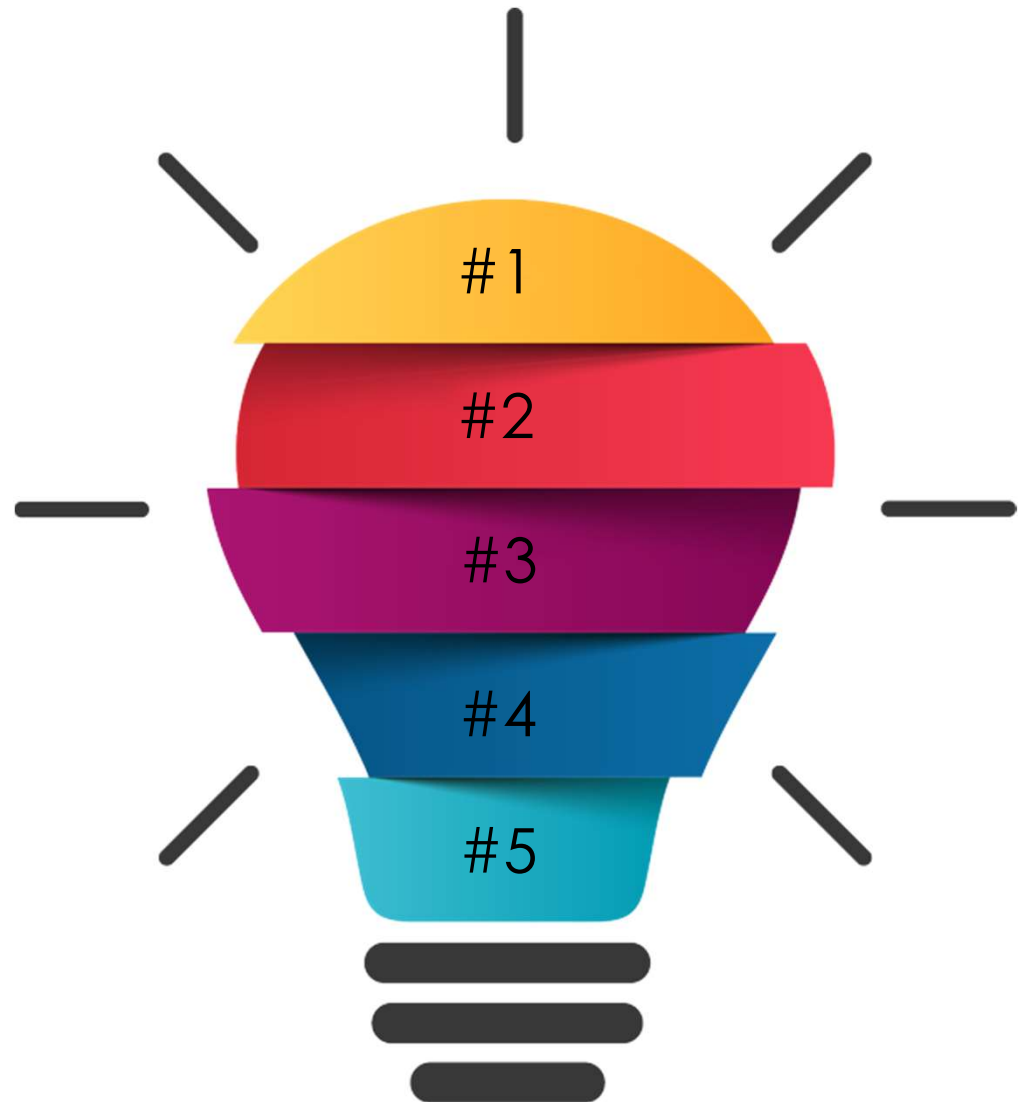
PART 1

Five Critical Elements of Marketing

Facilitator

Curtis Webb

Strategic Marketing Consultant



RULES!

What do you think about following rules?



Why Do
We Have
RULES?

Rules...

- Provide structure
- Consistency
- A sense of direction

Bottomline...

We have rules to
establish order!

The key to...



SUCCESS

A large, diverse crowd of people walking outdoors, likely in a city or public square. The people are dressed in casual to business-casual attire. The scene is brightly lit, suggesting a sunny day. A white text box is overlaid on the center of the image, containing the text "People are looking for VALUE!".

People are looking for VALUE!

What Does It Mean to “Give Value”?

It means your actions create interest!

How does this happen?

It happens by being something different, giving something meaningful, doing something unforgettable and do it all in a positive outcome for the end user.

A photograph showing a person's feet wearing red, perforated leather shoes on a concrete sidewalk. A single penny is lying on the ground near the shoes. The background includes a patch of green grass.

Is picking up this penny
worth the time and effort?

Is meeting a regulation your only end goal?

Your perceived



...is real until the facts are added!

The 1943-D bronze cent is the most valuable cent in the world!



Worth 1.7 Million Dollars!



Remember this ...

You can't give **value** to someone,
until they understand or appreciate
what you are doing, or what you
have done!

...The foundation to your success!



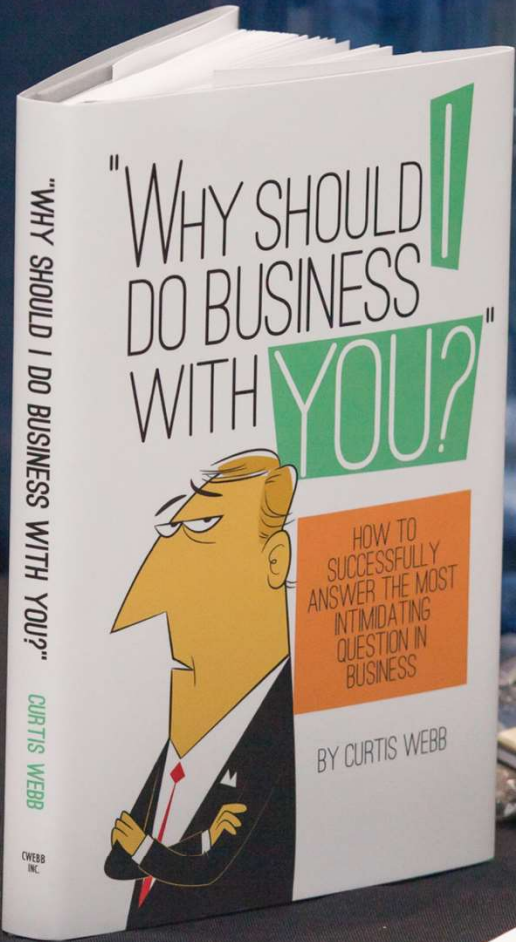
When things don't go as planned, a fall back position is advice from key RELATIONSHIPS!



Success & Value
go hand-in-hand,
but be ready for
the BIG QUESTION!



"WHY SHOULD
DO BUSINESS
WITH YOU?"



It's all about the...



BENEFITS

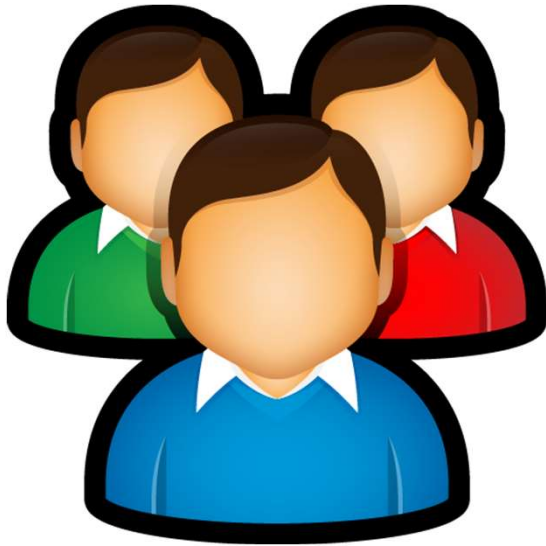
The Critical Five



#1

Relationships

The currency of life!



The goal with any good business relationship is **COMMUNICATIONS** and **TRUST**.

Your **communications** start with sharing the benefits you offer and the **trust is** that you do what you say you can do.



#2 Service

Tell me how will I be better off when you walk away?

Your niche segment should be a defined group of customers you can take ownership of or dominate.

#3

Quality



The quality in a service or product is **not what you put into it**. It is a **benefit the client or customer gets out of it**.

Quality is remembered long after the price is forgotten!

#4

Dependability

Dependability
provides **TRUST!**

The best service and
product providers keep
their customers informed!

Can I count on you to
look for a way, and not
a way out?



#5

Price



The importance of price is truly a balancing act with you, your market competition and your customer

Price draws attention, but your value draws relationships!

If you have any confusion over the order of the #1 relationship, #3 quality vs #5 price

Just remember ...Quality is remembered long after the price is forgotten!

Don't let your price, make only a temporary relationship!

Validate price, by including all five of the critical elements within your marketing strategy!



We'll end with this thought in mind...



When you live your life in the service of others, following the **RULES**, **Giving Value**, being associated with **people helping people**, then others are likely to perceive you as being a champion and being perceived as a champion is **“YOUR KEY”** to **long term SUCCESS!**

ANY QUESTIONS ?





TDOT DBE Small Business Annual Meeting

PART 2

Protecting Margins & Improving Profits

Facilitator

Victor C. Tyler, P.E., M.ASCE, NSPE

TYLER
Construction Engineers, P.C.



First, you must find & bid on the **Right Projects**?

Objective:

To make a profit on each and every project”?



Look for bid opportunities:

- Type of Work
- Project Size
- Geographic Area
- Type of Customer
- Staff Expertise
- Key Personnel
- Management Maturity
- **Knowing Your Financials**



Profit vs Profitability

The terms “Profit vs Profitability” are used quite frequently in everyday talk.

- a. My business made a **profit** last year.
- b. My business was **profitable**.

Does making a profit automatically mean that the business is profitable?

Profit is the excess of revenue/income above the costs/ expenses incurred in the process of producing the revenue/ income.

$$\text{Profit} = \text{Total Revenue} - \text{Total Expenses.}$$

Profitability is the size of the profit relative to the size of the business. Profitability measures how efficient the business is in using its resources to produce profit (**rate of return on investment**).



Now let's talk about the Numbers ...

“Engineers have a unique ability to talk when other people are trying to sleep.”

The Profit & Loss Statement

Construction/Manufacturing

4000	Income		XXXX
5000	Direct Job Costs		
	Labor	XXX	
	Material	XXX	
	Equipment	XXX	
	Subcontractors	XXX	
6000	Job Overhead	<u>XXX</u>	
	Total Job Cost		<u>XXX</u>
	Gross Profit		XXX
7000	G & A Expenses		XXX
	Net Income		XX

Service Industry (Consulting)

4000	Income		XXX
5000	Less Subs & Reimbursable	<u>XXX</u>	
	Net Service Revenue		XXX
5000	Direct Labor		XXX
6000	Indirect Job Cost		<u>XX</u>
	Gross Profit		XXX
7000	Operating Expenses		
	Advertising	XXX	
	Insurance	XXX	
	Supplies	XXX	
	Salaries	<u>XXX</u>	
	Total Expenses		<u>XXX</u>
	Net Income		XX

Question: Is it possible for a business to generate a profit but not be profitable?

Answer:

Profit is a necessary but insufficient criterion for a business to be profitable.

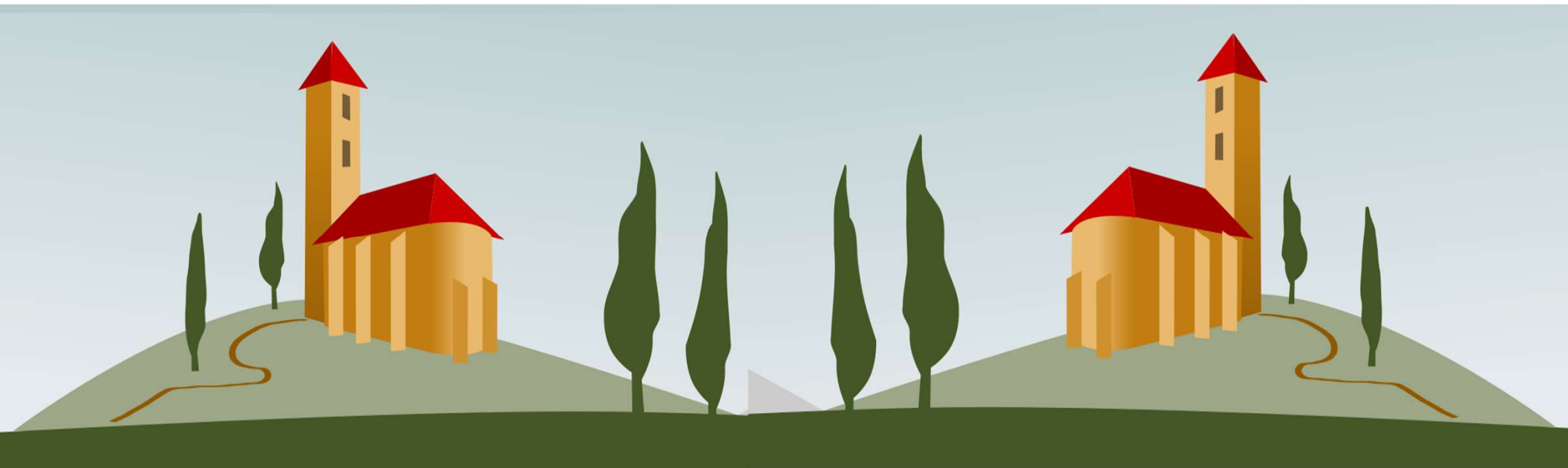


Example Case Business Study #1

Profit vs Profitability

Case Study:

Consider two contractors: **Jack** and **Jill**.



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Each of the contractor invested **\$1,000**. For simplicity, we will assume that the total amount invested was used to cover expenses.



Jack's Co., LLC

Jack's total receipt was \$1,002



Jack made a profit of \$2

Jill's Co., LLC

Jill's total receipt was \$1,500.



Jill made a profit of \$500.

Are these operations profitable?

In Jill's case, she is making an annual return on her investment of 50.0%.

Jill's Business is considered profitable.



For Jack, his business is making a profit, but he is getting a paltry return of only 0.20% on his investment.



Had Jack invested in a risk-free government bond yielding a **2% return**, he would have made more money than he made with his business.

Though Jack's business did return \$2 on his \$1,000 investment (**0.2%**), by most reasonable estimates, Jack's business was not profitable.

Let's improve his Profitability



Step 1: Know Your Costs

Good Accounting & Recordkeeping:

- Labor
- Material
- Equipment
- Subcontractor
- Other Direct Cost
- Job Site Overhead



Step 2: Understand Your Costs

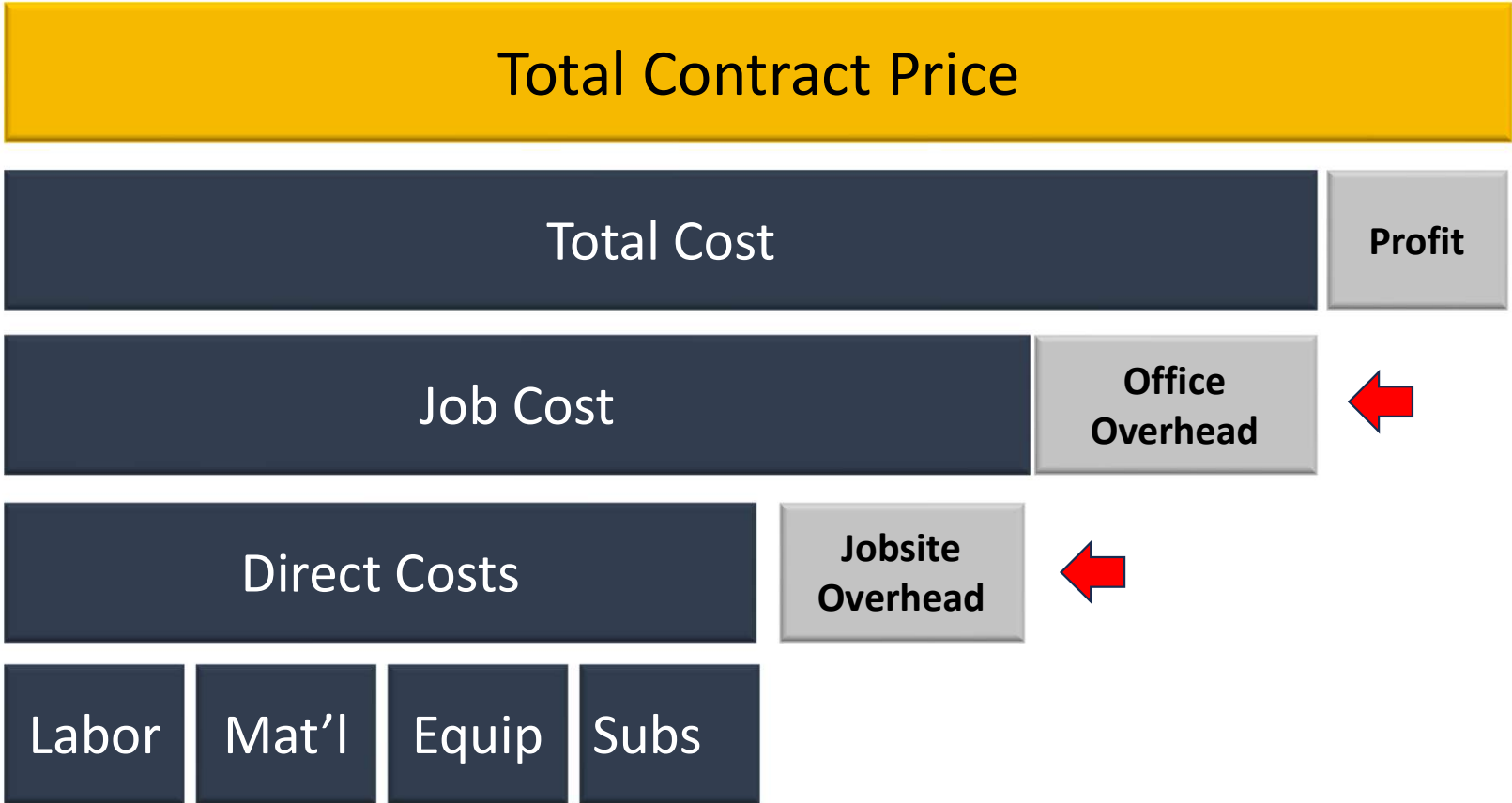
Cost relationships

Cost Recovery

- Labor Burden
- Jobsite Overhead
- Home Office Overhead



Cost & Price Structure



Step 3: Control Your Costs

Managing the

- Scope
- Time
- Budget
- Materials
- Schedule
- Team

PROJECT
MANAGEMENT



Step 4: Track Your Costs

Keeping a hand on the pulse

- Job Costing
- Contract Accounting
- Purchase Orders
- Budget vs Actuals Reporting
- Invoicing

ACCOUNTING



Step 5: Analysis Your Costs

Many businesses have failed because owners do not adequately spent time measuring business status and performance

- P&L
- Balance Sheet
- Financial Analysis
- KPI Performance & Benchmarking
- Relationship with Banks & Sureties

DATA ANALYSIS



Why do some businesses find it difficult to consistently make a profit?

- 66% of Companies Have **NO** Specific Profit Goals
- 70% of Companies have **NO** Overhead Goals
- 50% of Companies Have **NO** Sales Volume Goals
- 92% of All Company Employees Have **NO** Written Goals



Example Case Business Study #2

Setting Profitability Goals

Steps To Improve Your Profitability

1. Company's Annual Overhead is projected at \$400,000.
2. Your return on Overhead goal is 20%
3. Pre-tax Net Profit goal is \$80,000 ($400,000 \times 0.20$)
4. Therefore, Your Overhead and Profit goal is \$480,000.
5. By studying past completed contracts and looking at the market trends, you determined you can achieve a **20% total Overhead and Profit** markup and a **16.67% gross profit margin**.
6. To determine how much volume needed to hit goals, divide the total Overhead and Profit projected by the Gross Profit percentage anticipated.
 $(\$480,000 / .1667 = \$2,879,424$ annual sales at an average markup of 20%)

Mark-Up Vs. Gross Profit

Markup is the percentage you markup your job costs when bidding a job.

Gross profit is the total overhead and profit you make as a percentage of total sales.

<u>Markup</u>	<u>Gross Profit</u>
35 %	25.93 %
30 %	23.08 %
25 %	20.00 %
20 %	16.67 %
18 %	15.25 %
15 %	13.04 %
12 %	10.71 %
10 %	9.09 %
8 %	7.41 %

Understanding Cost, Risk & Job Sizing

Multi-Overhead Allocation

	A	B	C
Labor	\$55,000	\$55,000	\$85,000
Materials	\$42,000	\$42,000	\$42,000
Equipment	\$6,000	\$6,000	\$10,600
Subcontractors	\$34,600	\$34,600	\$
Other	\$2,000	\$2,000	\$ 2,000
Total Direct Cost	\$139,600	\$139,600	\$139,600
<i>Labor Burden</i>		25.93% \$14,262	25.93% \$22,041
<i>Jobsite Overhead</i>		34.45% \$18,948	34.45% \$29,283
Total Cost Input		\$172,809	\$190,923
<i>Home Office Overhead</i>		7.81% \$13,496	7.81% \$14,911
Total Project Cost		\$186,305	\$205,834
<i>Profit</i>	40.0% \$55,840.0	10.00% \$18,631	10.00% \$20,583
Total Bid	\$195,440	\$204,936	\$226,417

Which describes your **profitability** outlook?



It pays to consider these questions and equations to learn the road to profitability?

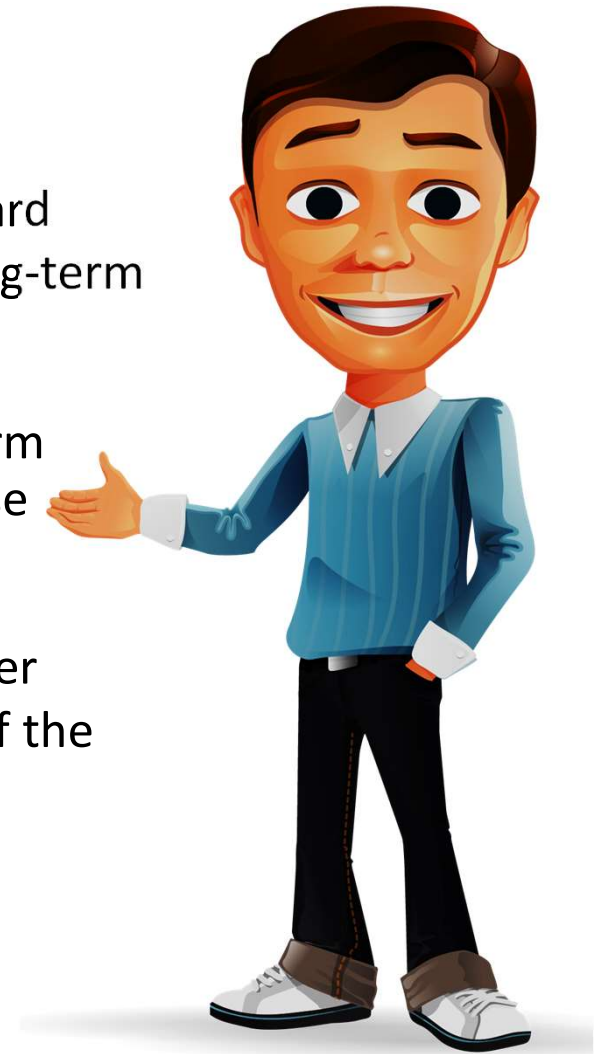
You must consider not only how much profit you are making with your business, but also how much profit you could have made had you invested your money in the next best alternative.

The crucial question is not whether your operation is making a profit, but whether your operation is profitable—and how profitable.



Conclusions

- Understanding profit and profitability is the first step toward managing your investment in your business and to the long-term survival of your business.
- Successful owners keep good business records, and perform regular financial analyses to help control costs and increase returns, and
- If financial analyses indicate it would be beneficial, consider changing the mix of services to improve the profitability of the business and increase the likelihood that it will thrive and endure over the long term.



Visit Marketplace Hall

**May The Profits
Be With You!**





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Small Business Development Program

Thank You!

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