

Engineering Proposal Strategies, Part I

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Welcome!!

Welcome to *Engineering Proposal Strategies, Part I*, your do-it-yourself guide to creating an Engineering Proposal including the Value Proposition that works for your engineering firm.

Once you've been through this guide, you'll know precisely what it takes to write an effective Proposal with a Value Proposition and supporting documentation. More importantly, you'll have a sample of a powerful Engineering Proposal to get you started.

This guide is a part of a series of guides covering the four pillars of your Business Plan: Operations, Marketing, Financials, and Value Proposition. This guide covers the Proposal and the Value Proposition. From this point on, you won't have to stab in the dark – you'll have clear direction. Following the steps shown you'll start to see some real results for your efforts.

Once completing the on-line course for this guide at our web-site www.engineeringbusinesspubs.com, you will be awarded with 1 PDH. The on-line course includes reading this guide and passing the 5 question test on our web-site.

Currently 30 U.S States require licensed engineers to obtain continuing education credits (CEU) or professional development hours (PDH) in order to renew their license. The PDH awarded by our seminar will be accepted by your state licensing board. **I personally guarantee it.** If your state board rejects our on-line seminar PDH, please forward us a copy of the board's letter and we will refund to you the cost of the on-line seminar.

How to Use this Guide

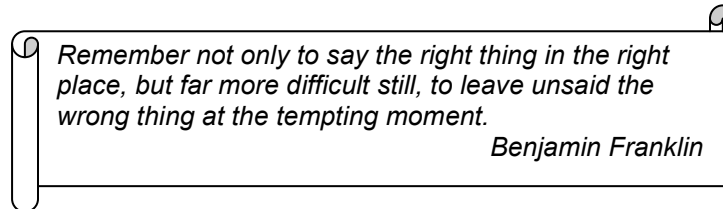
Each step covers an important aspect of your Engineering Proposal including the Value Proposition.

You will be surprised how much this guide will reveal about your Engineering Proposal. It will get you to think about important issues that may have never crossed your mind in the past. It may also uncover new issues. It is never a better time to put together or update your Engineering Proposal than now.

While reading please go ahead and jot down some notes in the spaces provided. It will help to improve your Engineering Proposal. Later sections will go into greater depth describing how to develop a Value Proposition, and Engineering Attire.

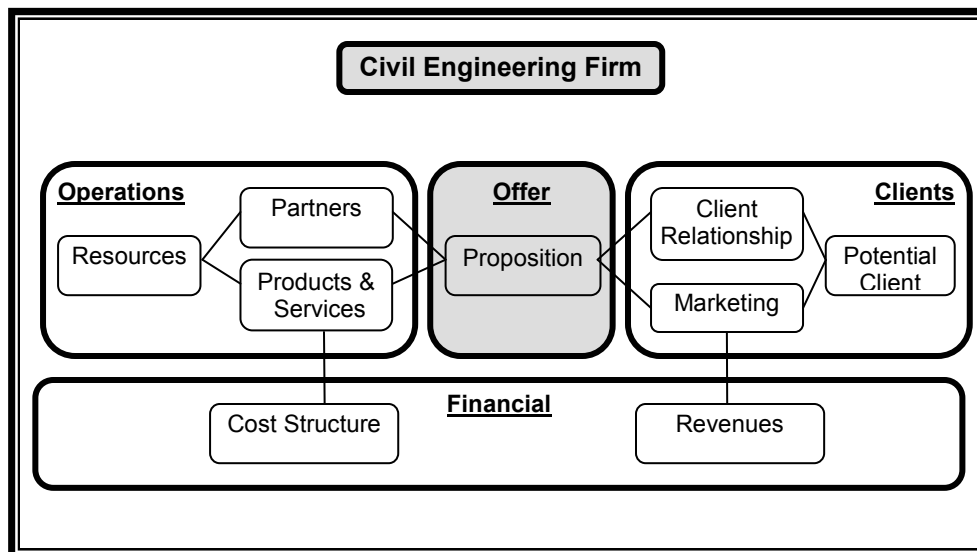
Now, it's time to get started.

The Engineering Offer



The Civil Engineering Business can be described as four components consisting of Operations, Financials, Clients, and the Offer. A diagram of the connection between these individual components was further discussed in the *Engineering Business Plan* guide. The guide can be found on our website www.engineeringbusinesspubs.com. That diagram is redrawn in the Figure below.

Figure 1 – Engineering Business Model with its Components

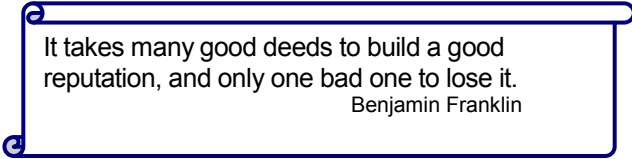


The Engineering Offer is actually a two step process; the Value Proposition and the Proposal. The process begins in the marketing phase and continues through the introductory meeting, proposal presentation, the signing of the agreement, and the contract fulfillment.

Let's get started with the Value Proposition.

What is the Value Proposition

It is extremely important to sit your engineering company apart from the competition. Prospective clients are looking for engineering companies with a track record of producing designs quickly that are cost effective and faster to build. Being able to market your company with the reputation as a value added firm will enable your clients to weather a growing, stagnant, or declining economy, and in turn keep your firm in business. This section will discuss what it takes to be that value added engineering company.



It takes many good deeds to build a good reputation, and only one bad one to lose it.
Benjamin Franklin

In the field of marketing, a customer value proposition consists of the sum total of benefits which a vendor promises that a customer will receive in return for the customer's associated payment (or other value-transfer). In simpler terms the engineer promises to deliver certain services and products, and the client promises to make the payments. The purpose of a value proposition is to identify and satisfy an unmet need that your target market possesses. An effective value proposition describes what you do in terms of tangible business results for the customer. However, it's more than a statement of offer or a buy-line. It's a commitment to deliver a specific combination of resulting experiences, including a price, to a group of target customers, profitably and better than the competition.

Engineering is a very personal business between the engineer, the client, and the project. The engineer touts his experience by describing the projects he has designed. But this is not necessarily always the client's biggest concern. In a highly competitive environment your client is just as interested in his bottom-line as you are in yours. The client is more interested in obtaining an expert that will save time and money. What experienced engineers bring to the table are designs that save the client time and money by way of their knowledge and experiences. Completed projects shown by the engineer should not only describe the project, but what actions the engineer took to reduce the client's overall budget. So a value driven engineering company understands that the customer is more interest in his bottom-line than the engineer's.

When the market is growing the competition is not as significant to your marketing efforts. Then the Value Proposition is more likely to say that your firm is more capable of taking on the project and meet all of the demands of the client. In this situation only the staff levels can limit the company's work capacity. Project budget over runs can be absorbed by the next project. In certain situations project fees increase due to the high

demand for your firm's engineering services. The company can easily increase its bottom-line by adding staff and more projects.

When the market is stagnant the demand for services and competition tends to level off. The value proposition is generally what are your company's services and products. You look to improve the company's design processes to reduce costs and improve the bottom line.

When the market tightens or weakens the competition also stiffens. Everyone begins fighting for the few remaining jobs. Most engineering companies revise their value proposition by addressing the engineering costs. These companies also look to improve their bottom-line by drastically reducing their expenses and if necessary reducing staff. In most cases this does not necessarily solve the problem.

Showing how your company adds significant value to the client's project is a far more effective marketing approach in any economic situation. In a strong robust economy where projects are plentiful, clients want the best engineers working on their projects. When the economy is sluggish clients want an engineer that will be there throughout the life of the project. When the economy is waning clients want an engineer that is willing to work with them through these difficult times. In all of these situations, the client is more than willing to pay the engineering fees if the engineering designs are of significant value to reduce time and cost to construct the project.

Most engineering companies tout their diverse capabilities, but few clearly state how they can save the client money. If the final designs created would be the same no matter what company was hired, then the client would be right in comparing our proposals by price, but this is not the case. Given the same constraints to 100 engineering companies, you will be given 100 different designs and all of them would be correct, but they would all cost different amounts to construct. In most cases, the best engineering design is the one that cost the least to construct. Accordingly, a customer can evaluate a company's value-proposition on two broad dimensions:

1. Relative Performance - what the customer gets from the design firm relative to a competitor's offering;
2. Price - which consists of the payment the customer makes to acquire the service

The engineering company marketing and sales efforts offer a customer value proposition. The engineering company then fulfills that value-proposition.

Marketing Value Proposition

Once a client sees that your designs have consistently and definitively saved money, no other engineering firm can win the project unless they have done the same or better. Thank

of it this way, an engineering company has designed a 5 acre commercial site with a 100 foot wide concrete lined channel running along the front of the site. The design definitely meets the codes and standards of the local community, but it would cost the developer \$400,000 to construct the channel. Now another engineering company looked at the same project and redesigned the site to accept off-site runoff onto the parking lots and revise the concrete lined channel to an earthen channel. The new cost to construct is \$150,000. Does it really matter what the engineering design costs are?

Poorly detailed and drawn plans can also cost the client and your firm money. Although the plans have been thoroughly reviewed by local entities for permitting, in most cases no reviewing agencies takes any responsibility for the accuracy of the plans. This is the responsibility of the engineer, which is why your firm carries the Professional Liability Insurance. If the plans are drawn with enough information, the amount of rework in the field due to vague plans should be null. If not, the client may issue a back-charge to your firm for loss of time, expenses incurred for reworking the job site, and a number of other possible charges. Depending on the insurance deductibles most of the payment may come from your firm's bottom-line and possibly the loss of the contract and any future work. Once you have a client talking about your poor services the word will reach your other prospective clients. As we all know it is hard to overcome poor publicity.

What a value-added company strives for is positive publicity that states that your firm produces plans that are clear and easily understood by the contractor. The engineering firm doesn't experience any back charges due to the design.

A value proposition can assist the firm's marketing strategy by guiding the business to targeted clients within a particular market segment. For example: "Best Civil Engineering Company can provide benefits a, b, and c because of its capabilities x, y, and z." This formulation can allow a firm to see if its services and capabilities align with the targeted clients within the segment.

Once the targeted clients and capabilities have been identified it is then necessary to accurately review your company's actual capabilities, strengthes, and weaknesses.

Your company has certain capabilities that it uses to perform the services it provides to its clients. These capabilities may include staff, equipment, software, expertise, techniques, and so on. What are your company's capabilities?

Your company has major strengths. These strengths may include exceptional expertise in water resources or some other field, unique software and trained staff to operate the software to solve specific situations, sufficient staff to handle large projects, and so on. What are your company's strengths?

Every company has its weaknesses. They may not like to share these weaknesses with others, but it best to know them internally. What are your company's weaknesses?

The question now is whether your company's current capabilities are a good match with the targeted clients. You may find that your firm lacks certain capabilities (weaknesses) that would prohibit you from marketing this client segment at this time. In this case you will need to determine how you can fill this gap. You may decide to perform a strategic analysis of your company. A strategic analysis and planning document should contain at least five steps:

1. Determine the current situation (were you are now)
2. Determine the targeted situation (were you want to be)
3. When to reach the targeted situation (how long)
4. Cost to reach the targeted situation (budget)
5. What are the company's and the client's benefits

The solution maybe as simple as partnering with another firm to provide a service, or if financially sound to hire new staff and obtain equipment to fill in the gap.

The secret to marketing a Value Proposition is to understand how the customer sees you as a value to their bottom line. This means that as engineers you have to understand what is

perceived as value to our customers. Once you understand what benefits and experiences a customer wants from you, the company then needs to turn these values into your driving force for the client. This understanding of the customer is known as the Value Proposition.

All companies whether they know it or not have a Value Proposition that the customer assigns to them. They will think of your services as less than, equal, or greater than what they have experienced elsewhere. What do you think of the various engineering companies in your community? Some are very large firms and are known as one-stop engineering shops; all of the engineering services in one place. Other firms are very small and specialize in one or two areas of engineering; like hydrology, traffic impact analysis, surveying, and so on. Some are known to provide excellent service at a fair price, while other firms are known to be expensive, but they are the best. What is your company known as?

A professional service company like an engineering firm can only tout its value so far. The client must perceive your firm as the best value. Your company must constantly research the competition and know what they are offering. Can you offer the same thing and still be profitable? Can you offer more than the competition and still be profitable? Can you offer something else that is perceived to be of the same value or more?

The engineer must also understand what your targeted client thinks will add value to your services. Researching the targeted customer will reveal what is of great value and what is of little or no value to them. It may be determined that a great value is a weekly executive summary on the project's schedule or bi-weekly project meetings at the client's office. Does the competition do this service? If not, you may have something. But at the same time it may be determined that fancy letterheads and logos add no value to your propositions, which may mean that either reducing or eliminating these types of expenses, can be done without creating a negative image.

What do your clients perceive as added value from your services?

What do your clients perceive as very little value from your services?

About the Author

Joe Alvin Haun, PE, MSE

Joe Haun is a highly experienced Civil Engineer, author, public speaker, and business advisor who have worked in the engineering profession since 1983.

Mr. Haun's early career was in the United States Air Force as an Engineer Assistant. A Desert Storm veteran he has a unique perspective of the Middle East.

Mr. Haun graduated from the University of Las Vegas, Nevada in 1994 with a BS degree in Civil Engineering and in 1995 with a MSE in Civil and Environmental Engineering.

Mr. Haun worked with several engineering firms in the Las Vegas valley until February 2005 when open his own engineering company HAUNTEC, which has grown to a designing multi-million dollar projects in Nevada and Utah and in the countries of Iraq and Costa Rica. Review his growing company's website at www.haunteceng.com to see the firm's latest capabilities.

Mr. Haun has published articles in engineering magazines and has given speeches on water resources, and is currently working on several articles on permeable pavements.

In 2009, Mr. Haun started Engineering Business Seminars and Publications to. His first publication is the "Engineering Business Success." He has created many self-study engineering business seminars for Professional Development Hours credits. Visit the web-site www.engineeringbusinesspubs.com to review the latest seminars and publications.

Recommended Reading List

Engineers are constantly learning about new techniques, products and design methods. Improving your skills as a business leader is no different. Reading books is one of the best ways to improve your skills. Below is a list of books we recommend.

- *Engineering Business Success* by Joe A Haun (book)
- *Engineering Business Plan* by Joe A Haun (seminar)
- *Engineering Marketing Strategies* by Joe A Haun (seminar)
- *Engineering Operations Strategies* by Joe A Haun (seminar)
- *Engineering Financial Strategies* by Joe A Haun (seminar)
- *Engineering Proposal Strategies* by Joe A Haun (seminar)
- *Engineering Joint Venture Strategies* by Joe A Haun (seminar)
- *7 Habits of Highly Effective People* by Steven Covey
- *First Things First* by Steven Covey
- *Awaken the Giant Within* by Anthony Robbins
- *Unlimited Power* by Anthony Robbins
- *The E-Myth Revisited* by Michael E. Gerber
- *Get Clients Now* by C. J. Hayden
- *Dress for Success* by John T. Molloy

- ❖ Please visit our web-site www.engineeringbusinesspubs.com to order Joe Haun products from our recommended book list.
- ❖ Our on-line seminars include the manual, down-loadable from the web-site www.engineeringbusinesspubs.com , and sample letters and forms. After completing the seminars the participant will receive a PDH certificate showing the number of units awarded.

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