# THE AEC METRICS HANDBOOK
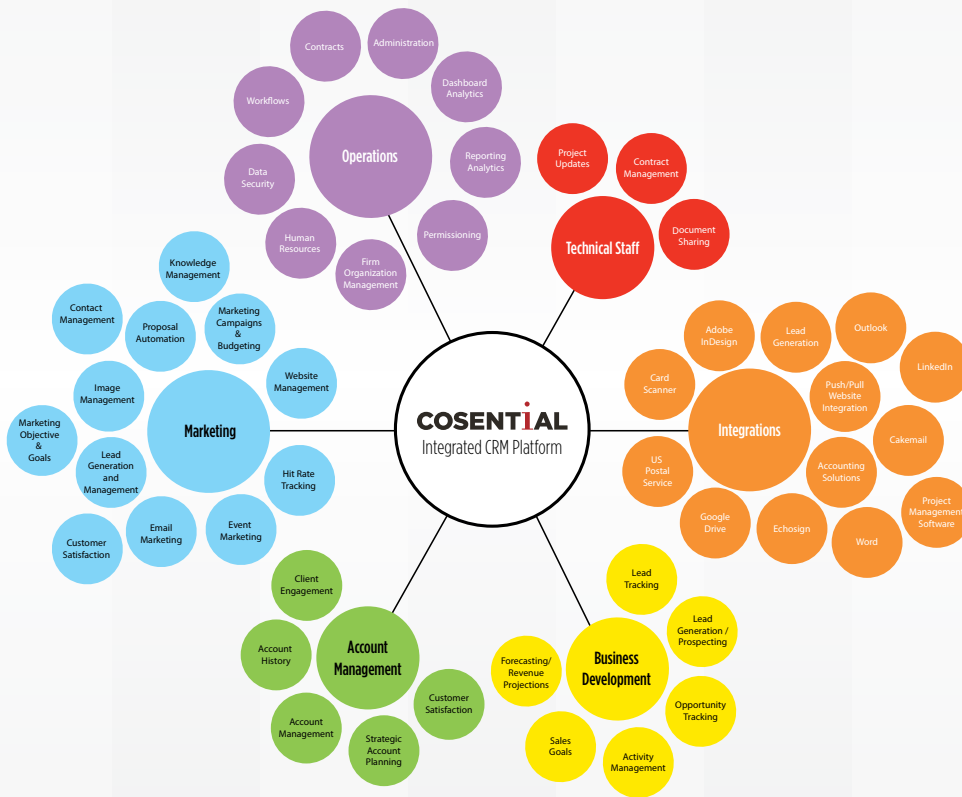
A Guide to Measuring Your Firm's Health

## ABOUT US

Cosential provides AEC firms with comprehensive Customer Relationship Management (CRM) and Proposal Automation that works the way you need it to work. Unlike any other solution, ours is built by AEC marketing professionals with a deep understanding of the industry's unique pain points and business processes. From key features to implementation and support, Cosential is tailored to AEC best practices in every way.

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# ① INTRODUCTION

Is your finger on the pulse of the AEC industry? Without the proper tools to measure your success, you will never be certain. Like people need check-ups to ensure their wellbeing, your firm must also regularly assess the health of its business. Only then can you prevent unnecessary setbacks, correct your course, and know when to re-direct resources.

Cosential has worked collaboratively with Architecture, Engineering and Construction (AEC) firms for more than a decade. Our solution is designed to track all the essential metrics for this industry. This eBook will reveal some of the lessons we've learned along the way and jump-start your plan for measuring your firm's health. All of the metrics discussed in this eBook are aligned with the focus of our CRM and Proposal Automation system – winning more work for your firm.
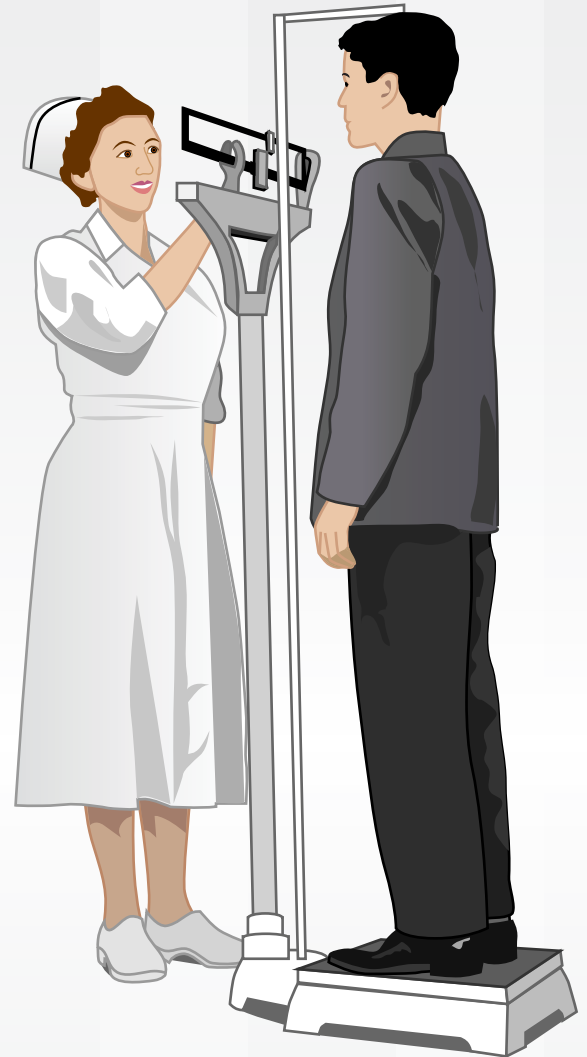
## 2 THE VALUE OF TRACKING METRICS

**T**racking business development and marketing efforts ensures that you know how your revenue and sales pipeline compare to your goals.

To get a complete picture of your business, you need hard numbers on marketing and business development success rates by market sector, project type and any other categorizations that are relevant to your firm. Without these figures, it's difficult to see whether your current pursuits are aligned with your firm's strategic plan. An added benefit of measuring these consistently is that eventually you can use the trends to guide your firm's long-term strategy. Chris Jacobs, Senior Market Data Analyst at JE Dunn, explains the importance of tracking metrics:

"Metric tracking tells us more than just how many or how much. Metrics enable us to identify where-when-how we are most likely to succeed. We can discover our strongest and weakest characteristics, enhance our business development strategies, and develop lean proposal production tactics to support those findings. Leveraging that knowledge creates a winning attitude when competing for work."

Tracking metrics also helps you stay abreast of your firm's resource needs. Do you have enough technical staff to handle work on upcoming projects or marketing resources to manage the pipeline? Are resources being allocated to the most important projects and proposals? Without monitoring your firm's metrics, you can't accurately predict staffing requirements.

# ③ TAKE YOUR FIRM'S VITALS

**B**efore deciding what you need to track, we suggest you review your firm's strategic plan and determine your goals. Just as fitness goals can guide your path to personal wellbeing, your firm's health depends on setting clear, measurable objectives. If the firm's goals haven't been articulated clearly, now is the time to change that. It's impossible to measure whether you're bringing in enough of the right business if you don't know how much revenue you need or what types of projects should be prioritized. Create a strategy for achieving your objectives and decide what success will look like by setting concrete benchmarks. Use SMART goals (Specific, Measurable, Achievable, Realistic, Time-based) to measure your organization's progress.

Once you have defined an attainable set of targets, you can pick the metrics that will show you how each part of your firm's anatomy is performing. This organizational physical will reveal where your organization is out of shape and uncover an alternate approach that could positively impact your firm. Metrics can also show you what's currently working and help you forecast more accurately into the future.

If you're not tracking anything yet, start slowly. Only track those metrics that are necessary to monitor your firm's Marketing and Business Development vital signs. As you begin, define key terms. For example, is a "repeat client" someone your firm has worked with in the last two years, or the last five? Everyone needs to
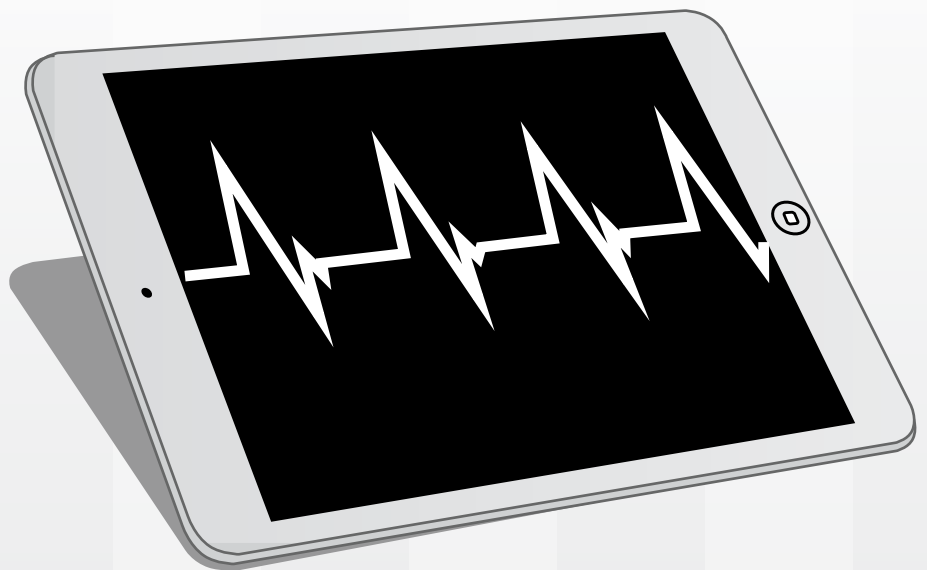
know the answer to these types of questions. Your data can only yield meaningful results if each team member uses key terms the same way. If you're using a CRM system to track these metrics, make sure all the data you need is required. For example, you'll never truly know your most effective lead sources if half of your records don't provide that information.

The remainder of this eBook covers a long list of marketing and business development metrics. Not all firms can or should track every one. Think of them more like biometric tests; you should really only use those which fit your specific needs. First, we'll look at important data to capture when leads and opportunities enter your pipeline, then we'll examine different metrics you can track using that data.

# ④ CAPTURE YOUR FIRM'S DATA FOR INCOMING LEADS/ OPPORTUNITIES

By collecting the following data, you'll be better able to analyze metrics down the line.

- **Lead Source** - Where does each lead come from? Tracking this information is a prerequisite for measuring the most effective lead sources for your firm.

- **Lead/Opportunity Owner** - Who is responsible for each lead or opportunity?

- **Upcoming Activities** - What are the next business development activities associated with the lead/opportunity? Are there any upcoming phone calls or meetings? What about submissions? Who is responsible for those?

- **Approaching Submittal Deadlines** - What do we need to provide each client for each opportunity? For example, an SOQ, scope and budget, a proposal, etc.

- **Associated Marketing Team** - Who is on our marketing team for each proposal: business developer, proposed staff team, marketing staff?

- **Estimated Fee or Cost** - Estimated revenue from each project in the pipeline?

- **Project Probability** - What's each project's chance of proceeding?

- **Win Probability** - How likely is your firm to win the project?

- **Go/No-Go Forms** - Has a Go/No-Go form been completed for this Opportunity? If so, all the included information should be tracked along with the Opportunity.

- **Prospective Teaming Partners** - How can you review the success of various teams without tracking your teaming partners?

- **Competitors** – Be more strategic in your approach by knowing and reviewing your competitors.

### Industry Example

Laurie Buckman, Principal of Buckman Consulting Services, tracks her pipeline to inform her staffing needs and managerial decisions. One of her preferred metrics is the number of initial meetings her staff has completed, both with new and existing clients. Using historical data, she has been able to consistently predict the number of new opportunities her team will generate based on this metric. Armed with this knowledge, she makes strategic decisions about how to set goals for each team member and about whether or not her firm has enough technical staff for the amount of work that's in the pipeline.

To get more insight from the data in your pipeline, define opportunity stages to identify where each pursuit is in the sales cycle. We recommend assigning a number to each stage for easy tracking and sorting. If you're using a CRM system, you can also define lead/opportunity types that determine how each one affects your firm's hit rate. For example, in Cosential, *Open* opportunities won't count against your hit rate because your firm hasn't submitted anything for them. *Pending* opportunities are those where your firm has offered a submittal. *Closed/Won* and *Closed/Lost* are both the final results, which are included in your hit rate accordingly. Here's an example of how sales stage, status, and win probability look in Cosential.

**ValueList Overview > Opportunity Stages**

**Opportunity Stages**

Opportunity Stage is critical for generating quality Opportunity reports.

| Edit | Stage | Type | Probability | Description |
|------|-------|------|-------------|-------------|
|  | 01 Prospecting | Open | 10% | Beginning the sales process. |
|  | 01 Prebid Meeting | Open | 20% | Prebid meeting scheduled. |
|  | 02 Received RFP/RFQ | Open | 30% | Received request for proposals or qualifications. |
|  | 03 Preparation | Open | 30% | Preparing to respond to RFP/RFQ. |
|  | 04 RFQ Submitted | Pending | 50% | Responded to RFQ. |
|  | 05 RFP Submitted | Pending | 40% | Responded to RFP. |
|  | 06 Qualified | Open | 60% | Qualifications accepted. |
|  | 07 Proposal Submitted | Pending | 80% | Proposal has been submitted. |
|  | 08 Short Listed | Pending | 70% | Made short list of potential winners. |
|  | 09 Interviewed | Pending | 80% | Interviewed with client panel for selection. |
|  | 10 Selected/Awarded | Pending | 90% | We have been selected by client, not yet contracted. |
|  | 11 Won | Closed/Won | 100% | Project is contracted. |
|  | 12 Lost | Closed/Lost | 0% | Opportunity has been eliminated or Won by another firm. |
|  | 90 Inactive | Open | 10% | Opportunity is still Open, but currently inactive. |
|  | 99 Did Not Submit/Project Canceled | Closed | 0% | No/Go or client canceled the project. |

# 5 KEY METRICS

## A. Prospecting and Pipeline

If you're recording the above data about your pipeline and you've defined your opportunity stages, you can then follow these key metrics:

**Leads/Opportunities by Stage** - Instead of seeing only how many projects are coming, you can understand where each one is in the sales cycle. This can help you better understand your firm's upcoming marketing workload.

**Estimated Fee/Cost by Stage** - This metric gives you insight into when your firm can hope to bring in revenue from new pursuits.

**Lead/Opportunity Volume by Organizational Unit, Project Type and Business Developer** - Dividing the pipeline this way shows where new business is coming from and where you may not have enough.

**RFP/Submittal Volume and Deadlines per Month/Quarter** - This helps you discern your marketing workload and allocate resources intelligently.

## B. Hit Rates

Your hit rate, the ratio of jobs won to jobs pursued, is one of the most common and useful metrics for marketers and business development professionals. When you
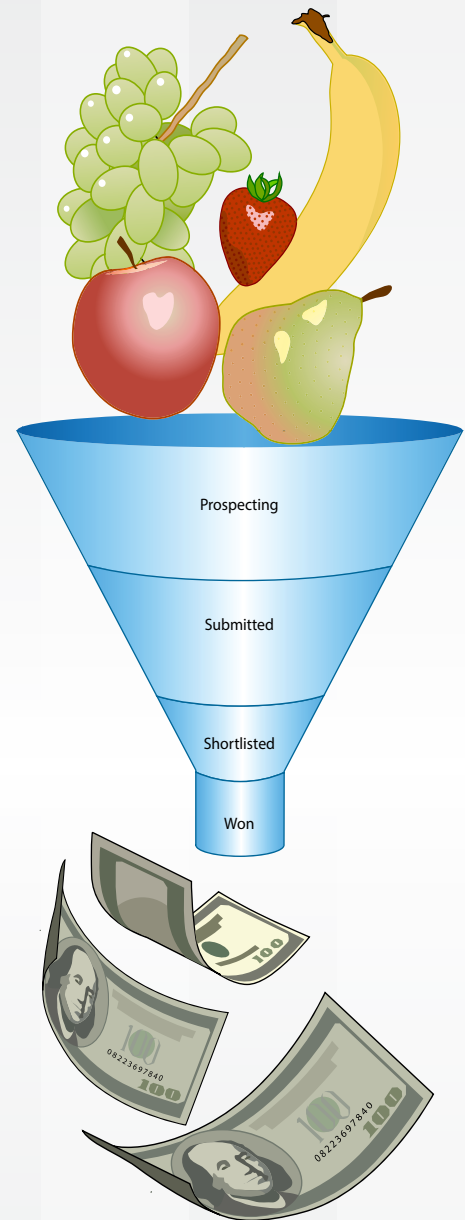
visit a doctor for a physical, she will likely use different tools to assess various aspects of your health. By focusing on specific facets of your firm and evaluating their hit rate, you can gain deeper insight into where you are winning the most work or falling behind. Eventually, a year-to-year analysis of each area of your firm will reveal valuable information about trends in your organization and give you the opportunity to benchmark against industry standards.

**Useful Hit Rate Reports**

**By Quantity** - How many jobs do you win of those you pursue? This one is fairly self-explanatory; it's the most common type of hit rate report. Be sure to define what a "job pursued" means. Is it all confirmed opportunities the firm considers pursuing or only the opportunities where a proposal is submitted? Choose the measurement that makes the most sense for your organization.

**By Estimated Income** - Depending on your firm type, this might be estimated construction cost or estimated fee. Either way, consider measuring the total amount of income your firm pursued against how much you won. In many ways this can be more informative than the hit rate report by quantity, since the value of different projects can vary dramatically and this variation will reveal how you're stacking up against revenue goals.

**By Organizational Structure** - Breaking down the overall hit rate by your firm's organizational units enables you to analyze the performance of each one. For example, you might look at hit rates for each office, market sector, practice area/ discipline, or service within your firm.

**By Personnel** - If your firm has multiple staff members with business development responsibilities, then tracking which opportunities they are associated with will allow you to see each business developer's hit rate.

**By Submittal Type** - How successfully does your firm prepare different kinds of submittals?

**Project Type** - Project type (healthcare, commercial, academic, public infrastructure, etc.) is another useful way to delineate your hit rate analyses. Depending on your firm, you may already be tracking this hit rate by comparing organizational structures. Do you win most projects of a certain type? Does your firm go after project types that you consistently lose? This can be especially interesting when reviewed year to year, as it can reveal trends in the industry at large.

After implementing Cosential, Sunrise Engineering was able to use different hit rate reports to understand which types of projects they win most frequently and adjust their business practices accordingly.

Amy Villasana-Moore, Arizona Manager of Marketing and Business Development elaborates:

"One of the first analyses conducted was of our firm's overall Hit Rate.  We were very pleasantly surprised by a high win rate in comparison to losses, but were not pleased to discover that our losses represented nearly twice as much in potential revenue.  The data revealed that we had a definite "sweet spot" for wins, which represented the small to mid-sized contracts, but that we were falling short on winning the larger contracts.  As a result, profit center managers were coached by their executive leaders to focus more exclusively on their "sweet spot" contracts in

an effort to shore up the gap.  In addition, a much more stringent Go/No-Go process was put into place to prevent managers from making emotional pursuit decisions on contracts exceeding specified values."

As Sunrise Engineering's example makes clear, tracking hit rates can provide insights that help your firm make smarter business decisions. Once you're comfortable with the basic hit rate reports described above, you can also begin to dig deeper with some of the refined metrics below. Each of the following can be tracked by quantity of projects or by estimated fee/cost per project.

**Leads to Wins** - Measure all potential leads that your firm has tracked against your total jobs won. Tracking your hit rate against all leads can inform your work in two ways. First, it can help you evaluate your prospecting efforts. If your firm only wins a very small percentage of the leads brought in, perhaps you're not looking in the right places or adequately qualifying leads your firm generates. Secondly, it can give you a clear idea of how many leads your firm needs to generate in order to meet revenue goals.

**Proposals to Shortlist** - By isolating this part of the marketing process, your firm can see how effective your proposals are. If you have a low proposal to shortlist hit rate, evaluate your proposal writing process and review old proposals to find what can be improved.

**Shortlist to Wins** - How well does your firm perform after being shortlisted?

**Interviewed to Wins** - How effective are your presentations? By tracking this specific hit rate, in conjunction with the proposal to shortlist phase, you can gauge areas of improvement both internally and with specific teaming partners.

**New Business vs. Repeat work** - Look at separate hit rates for new clients and from those you have done business with before. Your hit rate on repeat work

is probably less a function of your marketing team's capabilities and more a reflection on your project management and client relationship management. To get a better idea of the effectiveness of your marketing efforts, focus on your firm's hit rate with new clients. To be able to do this effectively, it's important to track the sources of all new leads and follow that information through your sales cycle.

**Source of Jobs Won** - Where did the jobs you won originate from? Jobs can come from a referral, a pre-qualification process, trade shows, lead services, from your website, etc. Knowing where your best leads are coming from can help your team make informed choices about where to acquire leads.

**Teaming Partner** - If your firm works primarily as a sub-consultant/contractor to a teaming partner who submits to the prospective client, it can be more challenging to assess a meaningful hit rate. Since you depend on the prime firm's marketing efforts, it can be difficult to use hit rates to evaluate your own. In Cosential, firms can still track each submission to the prime consultant as a separate teamed arrangement associated with the overall pursuit. This allows firms to track the success of various teaming arrangements by evaluating the hit rate of your individual sub-opportunities grouped by prime consultants.

# ❻ CONCLUSION

Remember, your firm doesn't need to track every one of the metrics discussed in this eBook to gain substantial benefits. Measuring these indicators is only going to be helpful to your firm within the framework of carefully planned strategic goals. Once you've clearly defined your firm's targets, you can find the right metrics to evaluate the current health of your firm and assess progress moving forward.

If your firm has trouble capturing or accessing all the data necessary to track these metrics, a CRM solution like Cosential can help. Cosential gives you access to deep business knowledge by centralizing your marketing and business development information into a platform where you can run smart searches and execute custom reports. Customizable dashboards can even display many of the metrics we've discussed in this eBook in real time. To learn more about what Cosential's CRM and Proposal Automation solution can do for you, schedule a demo today!