

Market Insight

A Guide to the Construction Industry for Business Radio Two-Way Retailers

Building on the benefits of Motorola

Material costs are high. Profit margins are thin. Construction contractors are counting pennies. It's a prime time for business radio two-way retailers to emphasize the cost benefits of Motorola business two-way radios.

QuickFact

Housing starts are up from November 2008 and are expected to climb throughout 2009. Growth in the housing market not only drives several key sectors, but also drives growth in Information and Communication Technology (ICT) spending and related industries (broadband roll-out, new computer purchases, etc.).

Source: Compass Intelligence, January 2009

Opportunities in the construction sector

Even though the economy has severely impacted construction projects, the industry has not entirely come to a halt. There remain pockets of activity throughout the country, particularly for builders serving the healthcare, education and energy sectors, where small gains are projected. A new factor to consider is the impact of the federal stimulus package, which is designed to trigger school and public infrastructure projects, including road construction.

It's important for business radio two-way retailers to identify their local contractors who stand to benefit from the stimulus, and develop an advisory relationship that will pay off in future business.

Think 'green'

While homebuilding is in a broad slump, it's likely the builders who remain most active are those who are delivering a specialized skill that keeps them ahead of the competition.

Builders who offer green construction services are in high demand:

- 40% of builders think green building helps them market their homes in a down market.
- Green projects represent 10% of projects for about one-third of builders.
- Green building is not just about reducing energy costs; in fact, builders say that product "quality" is the number one reason for building green.

Source: McGraw-Hill Construction

Motorola solutions support the green philosophy. Efficient communication can help eliminate wasted resources, by avoiding unnecessary trips and tracking employees, equipment or deliveries to maximize workflow. Better productivity that can reduce energy use is a timely message for the green building movement.

A good fit

Historically, more than half of radios registered were for use on sites with fewer than 25 workers. Since 90% of construction firms employ fewer than 25 people, it makes sense that the construction industry is a prime audience for Motorola business two-way radios.

Source: Motorola Retail Business Radio Market Analysis

Causes for optimism

All recessions come to an end. And there are reasons that construction could help to lead the way:

- Federal stimulus spending
- Low interest rates
- Pent up demand for housing and commercial space, which has been bottled up by tight credit

When the rebound happens, don't get caught on the sidelines. If you have a relationship with builders, be sure to keep them informed of how Motorola business two-way radios will fit in with their future.

Construction facts

- \$1.9 trillion in annual revenue
- 80% of contractors are small firms, with fewer than 10 employees
- 10.9 million employees
- 914,000 companies
- Three broad categories:
 - General: industrial, commercial and residential
 - Civil/heavy construction: infrastructure projects, including sewers, roads and highways, bridges and tunnels
 - Specialty trades: electrical, plumbing, carpentry and HVAC

Source: Bureau of Labor Statistics, Hoover's

QuickFact

Nearly 85% of contractors say they wouldn't lay off workers, and might hire more, if a stimulus package included funding infrastructure projects.

Source: Associated General Contractors survey

Stimulus winners

Heavy construction—road and bridge projects, elevated highways, and water, sewer, and pipeline construction—stands to gain most immediately from the federal stimulus infusion. While the general contractors will face an overall decline, heavy construction contractors should see average annual growth of 3% by 2011.

States that will be stronger than the national average:

Alabama – 8.1%

New Hampshire – 5.4%

Nebraska – 5.2%

Texas – 4.8%

Wyoming – 4.8%

Source: MarketStance

Tailoring your message

Construction is a diverse industry. So, it's not enough to simply target the construction sector. By knowing the needs of local contractors—Do they juggle multiple job sites? Are they relying on cellular telephones today for field dispatch? Do they work in hazardous settings?—you are better positioned to show the value of Motorola solutions for their business.

Industry update

In trying times, homebuilders are adapting to marketing conditions.

Builders are selling value

More builders are offering discounts to lure buyers. That means they will be looking for all means possible to control costs during the downturn.

Builders are thinking small

By focusing on smaller, more efficient and more affordable homes, builders are trying to adapt to the marketplace.

Builders are diversifying

As in previous downturns, homebuilders will take the business where they can get it. That means taking on commercial jobs, or emphasizing remodeling, where demand might be greater.

Thinking positively

This year, 37% of builders think the market will touch bottom in the first half of 2009 and 26% in the second half of 2009. Business radio two-way retailers can help these companies be prepared for the rebound with Motorola business two-way radios that enhance efficiency and profitability.

Source: Builder Magazine

Looking ahead

Following are key assumptions in the Reed Construction Data outlook:

- The housing market will begin to recover before other sectors because housing went into recession two years earlier than the rest of the industry.
- Job-site spending will hold steady on many civil construction projects, due to the long duration of such projects that were previously approved by public-sector entities.
- Utility projects that recently started will continue through the next two to three years.
- Overall, healthcare construction will fare relatively well during the recession because its largest source of income—patient charges—will continue to expand.

Industry issues

Contractors are currently wrestling with trying economic conditions. But it's vital to understand their daily challenges, and be prepared to show how Motorola solutions can address the needs of this sector and support the goal of profitability.

At the job site

- Minimizing downtime/efficient use of time
- Coordinating work crews over multiple sites
- Hazardous work conditions/worker safety
- Noisy work environments
- Equipment damage
- Equipment security
- Waste of materials/construction mistakes
- Maximize ROI from equipment

At the office

- Project planning and deadlines
- Cost of materials
- Worker reliability and turnover
- Responding to market trends (green building)
- OSHA regulations
- Tighter credit

Motorola solutions

Construction + Motorola

Builders contend with a wide range of challenges listed above. A common thread linking nearly all of these challenges is the need for effective communication. Motorola business two-way radios and accessories represent the tools and technology needed to cut through the obstacles to communication.

The case for two-way radios

Motorola business two-way radios and accessories provide a competitive advantage in the construction sector with benefits that are rooted in superb technology and innovative design.

ShopTalk

According to a recent survey of business two-way radio users:

Over 50% of radios registered were for use on sites with fewer than 25 workers.

43% of purchases were for replacement radios, 38% were additions to existing networks and 19% were first-time customers.

48% of purchases were from industry suppliers, 26% came from retail outlets and 23% from catalogs.

52% did not acquire accessories at the time of purchase.

The most common accessories acquired with Motorola business two-way radios were: heavy-duty belt clips, carrying cases and rapid three-hour chargers.

The three most effective drivers for purchases of Motorola two-way radios are: ease of operation, the Motorola brand and reliability.

Source: Motorola Retail Business Radio Market Analysis

Radio coverage

Interior walls or multiple buildings at a job site can be obstacles for cell phones. Motorola radios break down those barriers with a talk range of up to 350,000 square feet and 30 floors indoors. Motorola RDX high-power radios can operate on repeaters to provide reliable radio coverage between facilities and buildings.

Worker safety

Pre-empt potential hazards with one-to-one or one-to-many calling. If a worker needs assistance, radios can provide an immediate response.

Reduce waste

Managers can quickly contact workers to notify them of change orders and avoid potential errors in the building process.

Hands-free portability

Create a customized communication solution for the construction market with Motorola original accessories. Headsets are ideal for noisy work areas. Swivel belt holsters make it easy for radios to be clipped on the belt of workers.

Enhanced productivity

Radios enable immediate voice or text communication so managers can instruct workers on short notice, react to changing customer demands or respond to changes in the weather. With the one-to-one or one-to-many calling features of Motorola DTR radios, you can alert project foremen or work teams with production and delivery updates, which improves project coordination and customer satisfaction.

Worker accountability

Accountability is important when working with sub-contractors or part-time laborers.

Cost savings

Two-way radios are affordable and simple to operate, with no monthly fees, per-call charges or annual contracts. Furthermore, there are no infrastructure costs.

Durability

Motorola RDX and DTR radios feature heavy-duty construction, which will stand up to the demands of multiple users and tough work environments. In addition, Motorola radios feature extended battery life.

Understanding the customer

The construction industry benefits from Motorola solutions, but how should business radio two-way retailers go about delivering that message? Start by identifying the decision-making factors for your prospective customer.

Decision makers

Know your audience. The decision makers for purchases in a construction organization will vary based on the trade and the organization's size and structure:

- Owner
- General manager/office manager
- Site foreman
- Superintendent
- Shop manager
- Electrician
- Project manager

A matter of timing

Customer buying cycle

It's important to know your customer's calendar and how it influences the timing of purchase decisions:

- Most companies are deliberate in their buying decisions.
- The purchase process is typically tied to a budget process.
- Companies may discuss equipment needs well ahead of fixing the annual budget.
- Purchasing strategies may be fluid in 2009, as companies respond to the changing economy, including the potentially positive impact of the federal stimulus spending; your ability to show ROI is vital in order to influence unbudgeted investments.
- Engage decision makers when next year's strategy is on the table.
- In some cases, companies follow fiscal years that don't adhere to the calendar.

Funding models

As builders consider equipment purchases, the funding model for their respective company will be a factor in the final decision to buy. Business radio two-way retailers should know:

Budget ownership

- Which person in the organization has responsibility for the purchase decision?
- Which person in the organization stands to benefit directly from the purchase?

Budget source

Funds for their purchase will likely come from one of the following sources:

- Capital equipment budget
 - Central purchasing
 - Divisional operating funds
- Contracts
- Supplemental/discretionary funds

ShopTalk

Characteristics to consider

Builders are generally slow to change something that already works. If you are trying to develop a new relationship in the construction industry, consider two keys to customer loyalty:

- **Credibility**
Know the customer's business, and show that you can help them make improvements.
- **Cost**
Contractors are price conscious. Show them that you offer superior value to their current solution.

For more information

Decision makers seek to spot industry trends, identify industry data and analysis, and monitor the competitive landscape before making purchase decisions. For business radio two-way retailers, sources such as construction associations, commercial builder organizations and trade publications can be a window into what shapes buying decisions in the construction industry.

Learn more about the construction industry with the following sources:

Construction associations

- Associated Builders and Contractors (www.abc.org)
- Associated General Contractors (www.agc.org)
- National Association of Home Builders (www.nahb.org)
- U.S. Green Building Council (www.usgbc.org)
- National Commercial Builders Council (www.nahb.org/page.aspx/category/sectionID=533)
- National Community Development Association (www.ncdaonline.org)

Trade publications

- Builder Magazine
- Electrical Construction and Maintenance
- Nation's Building News
- Professional Builder
- Remodeling

Trade shows

- Building Industry
- NAHB National Green Building Conference
- Commercial Construction
- World of Concrete
- NECA (National Electrical Contractors Association)



American Recovery & Reinvestment Act

Rebuilding America's Infrastructure

The Associated General Contractors of America, a construction trade organization, estimates that over \$130 billion of the American Recovery & Reinvestment Act (ARRA) is targeted at creating jobs and rebuilding and refurbishing America's infrastructure. Of this amount, over \$30 billion is targeted at thousands of heavy construction projects such as roads, bridges and airport improvements across all states.

ARRA funds target major construction projects in the following areas:

- Department of Transportation - \$27.5 billion
- Department of Defense - \$2.2 billion
- Airports and seaports - \$2.2 billion
- Department of Education - \$8.8 billion (Discretionary Governors' Fund)

Distribution of funds varies by agency. Some of these funds will flow to construction companies. Learn about the ARRA projects in your area.

This is public information and can be found by researching websites. The following websites are a starting point for transportation and defense projects:

- Central access to State Recovery Sites
www.recovery.gov/?q=content/state-recovery-page
- Department of Defense recovery projects
www.defenselink.mil/recovery/



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RO-99-2195-POD 4/09