

# Build Online Study



- **Should Build-Online, a European B2B construction exchange, enter the US market?**
- **If so, how?**
  
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# Build Online Overview



## ■ European Construction Portal

- B2B marketplace for construction materials and services
- Online project management and collaboration
- Online construction community and content

## ■ Founded in Ireland in 1999

- Experienced management team (Andersen Cons. & Building Industry)
- \$2 M 1st rd.; \$16.5 M 2nd rd. (Goldman, Viventures, BancBoston)
- Ireland, UK, France, Germany, Italy, & Spain

## ■ Target Market

- Developers, project managers, design, contractors, & sub-contractors
- Distributors and suppliers
- Commercial Focus

## ■ Positioning

- "Channel Enabler" rather than "Disintermediation"

# Industry Overview



## ■ **Worldwide construction market**

- Second largest industry\*
- \$3.2 trillion spent annually\*

## ■ **US construction market**

- \$650 b spent annually\*
- \$450 b on materials and supplies\*
- Architecture//Engineering/Construction ( A/E/C )
- Residential vs. Commercial

## ■ **Online Construction Market**

- \$6.3 billion on-line 1999\*
- Expected to be \$141 billion (or 14% of total US market) in 2004\*

\* Forrester Research, 2000

# Industry Overview: Issues

## ■ **Complex co-ordination of numerous players...**

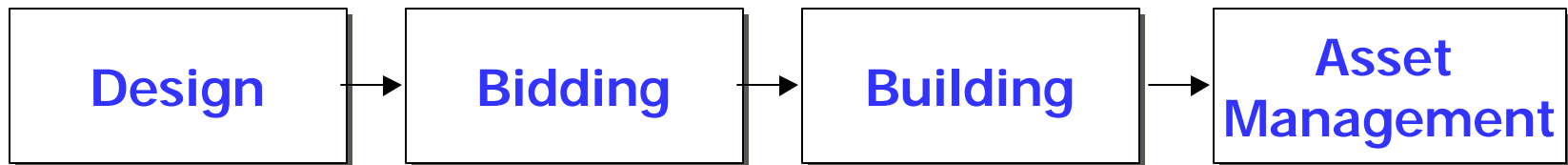
- Architects, Engineers, Project Manager
- Licensed General Contractors and Sub-Contractors
- Manufacturers and Distributors of Building Products
- Local and national players of all sizes

## ■ **Inefficient and slow communication from numerous channels...**

- Email, Phone, Voicemail, Fax, FedEx, UPS, US Post,
- A \$100 m project generates 150,000 documents
- The market for shipping of blueprints is worth \$500m just by itself -- need warehouses just to store them!

**"...inefficiencies, mistakes and delays account for \$200 billion (30%) of the amount spent on construction"- The Economist, Jan 2000**

# Industry Overview: Process



**Process:**

- Drawings
- Specifications

- Request For Quote
- Bidding Reviews

- Purchasing Material
- Construction

- Maintenance
- Security

**Parties:**

- Architects
- Multiple Consultants

- General Contractors
- Multiple Sub Cont.

- General Contractors
- Multiple Sub Cont.

- Owner
- Property Management

**Results:**

*Final Drawings*

*Final Price*

*Finished Project*

*Ongoing*

Building Exchanges help manage communication process and material costs

# Industry Overview: Key Success Factors



- **For trading hub the Winner takes all**

- Because of liquidity of buyers and sellers
- Goal involves need for scale and market dominance

- **Strategy: “Get big fast”**

- Through partnerships and alliances
- Scale also brings economies of scale and cost efficiencies
- Branding Crucial

- **Evidence: Some consolidation already in US Market (Cephren)**

# Industry Overview: Challenges



## ■ **Highly competitive in US Market**

- Many well-funded on-line players all vying for #1 position
- Bidcom                \$63m total
- BricsNet            Market Capitalization of \$178.4m (Belgium)
- BuildNet            \$147m total
- BuildPoint         \$24m total
- Buzzsaw            \$75m April 2000
- Cephren            \$60m total
- ContractorHub \$9m

# Competitive Landscape



US Only

Europe

Commercial

**BidCom**  
**ContractorHub**  
**BuzzSaw**

**Cephren**

**Build Online**

Residential

**BuildPoint**  
**BuildNet**

**BricsNet**

# US Entry Decision



- **We do not recommend US Market entry now**
- **Primary considerations**
  - US Market is Saturated
  - Little economies of scale in construction industry across borders
  - Market for labor, materials, and transportation is local
  - Building codes and laws are local
  - Build-Online needs to focus on European market now, to ensure #1 status
  - Slow Learning curve for participants
- **But....**
  - 2nd largest industry in the world
  - On-line market is young, no clear market leader
  - Entry later.....more severe competition??

# US Entry Strategy



## ■ Short term strategy

- Alliance with technology partners only (for exchange)
  - eg. Ariba, Autocad, Assertline

## ■ Long term US strategy

- Re-assess US market strategy in 1 year or after consolidation
- Once leadership in Europe is established and stabilized, create presence in US market

# US Entry Strategy



## ■ Long term US entry tactics

- Positioning as “global” construction portal
- Alliances with global construction companies and suppliers
- Round out product features and content with US partnerships
- Launch in US with help of partners

## ■ Other suggestions for Differentiation

- Build wireless capability: bring content to wireless devices
- Partner with Finance co. for financing/insurance arm
- Allow personalization of site for users
- Capability for On-line meetings