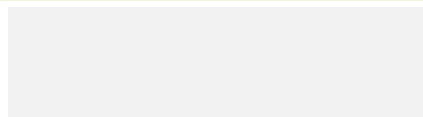




CONSTRUCTION SURVEY 2018





AGENDA

- 1.** Background and methodology
- 2.** Key industry sector issues
- 3.** Measurement / Use of technology
- 4.** Staff and skills availability
- 5.** Procurement
- 6.** Procurement
- 7.** Final thoughts

BACKGROUND AND METHODOLOGY



Purpose of the Study:

This is the second year of this study where we look at...

Building and deepening relationships with the construction industry in New Zealand.



15 minute online survey link sent via CCNZ, trade media and Teletrac Navman customers.

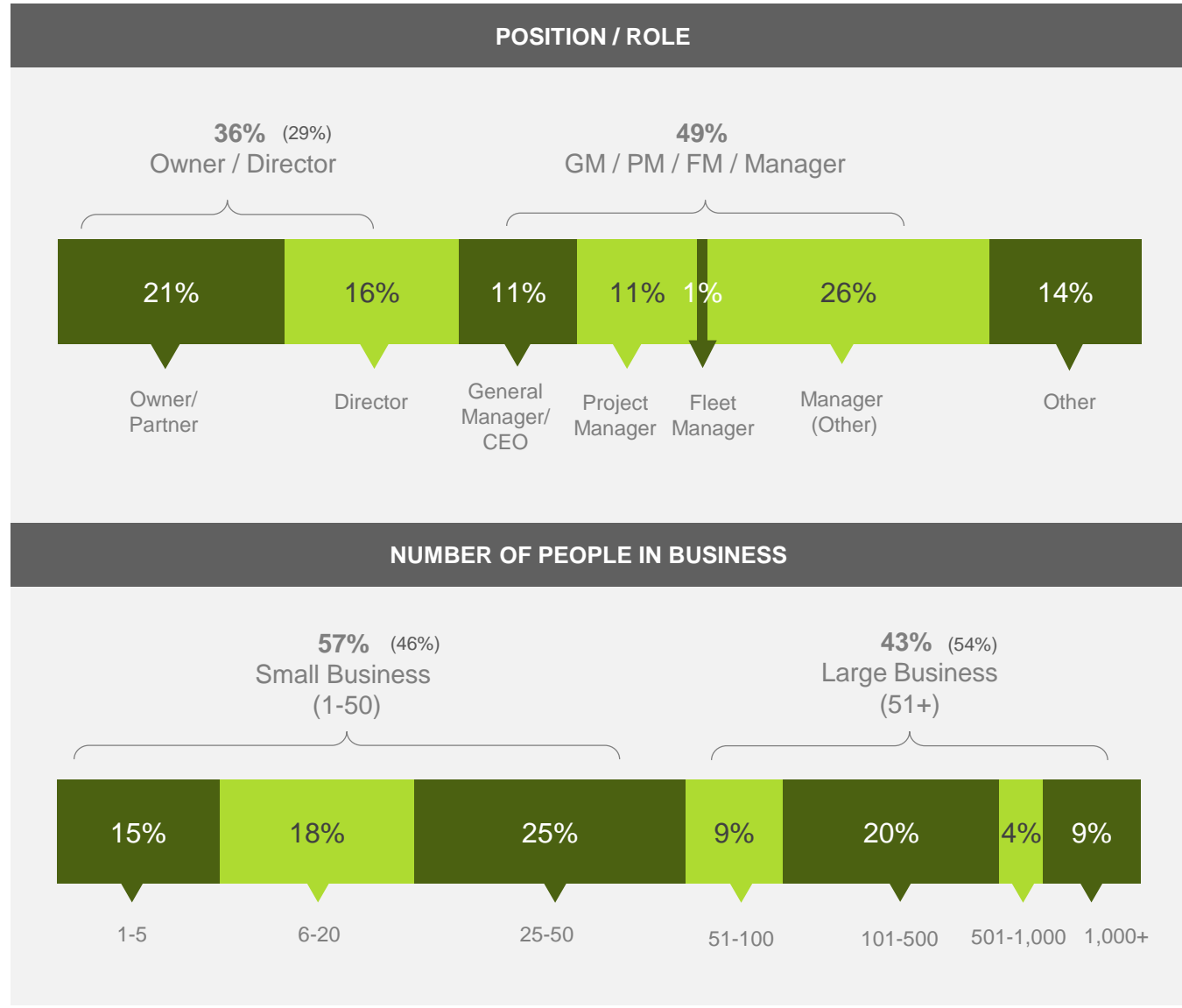
- Sample achieved n=159
- Fieldwork dates: 23 May – 6 June 2018 (15th June – 24th August in 2017)

SAMPLE BREAKDOWN

61%

(nc)

CCNZ member in
2018



() comparison data from 2017
nc = no change



KEY INDUSTRY SECTOR ISSUES

EXTERNAL FACTORS ARE A CONCERN FOR THE INDUSTRY

Key concerns facing the industry include:

- Projected slowing economic growth
- Financial losses by large construction firms
- Local and central government changes in infrastructure spend allocation
- Resource management Act needs revision
- Accident compensation Act needs revision

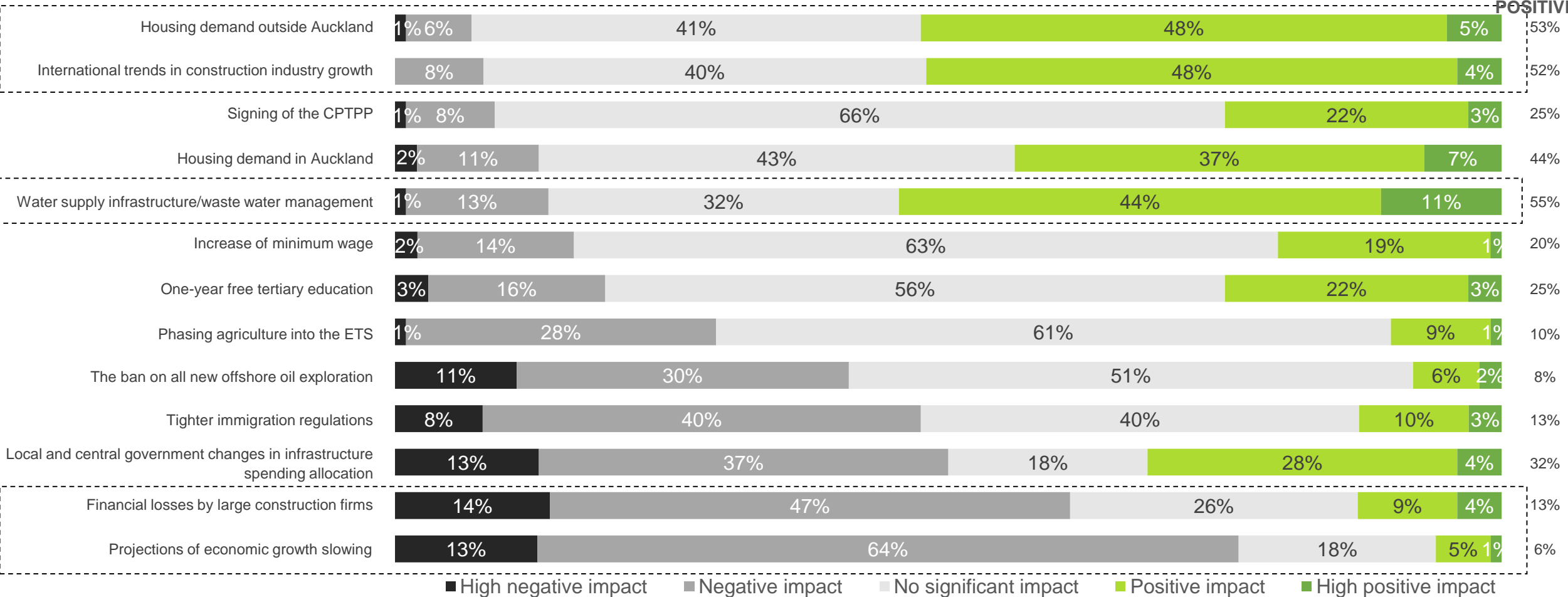
Key opportunities facing the industry include:

- Water supply/waste water management
- Housing demand outside and within Auckland
- International trends in construction industry growth

Key events that might have positive impact on the industry include housing demand outside of Auckland, water supply/waste water management and international trends in industry growth; those expected to have a negative impact include economic growth slowing, financial losses by large firms and changes in infrastructure spending

EXPECTED IMPACT IN THE NEXT 3 YEARS

NETT POSITIVE:

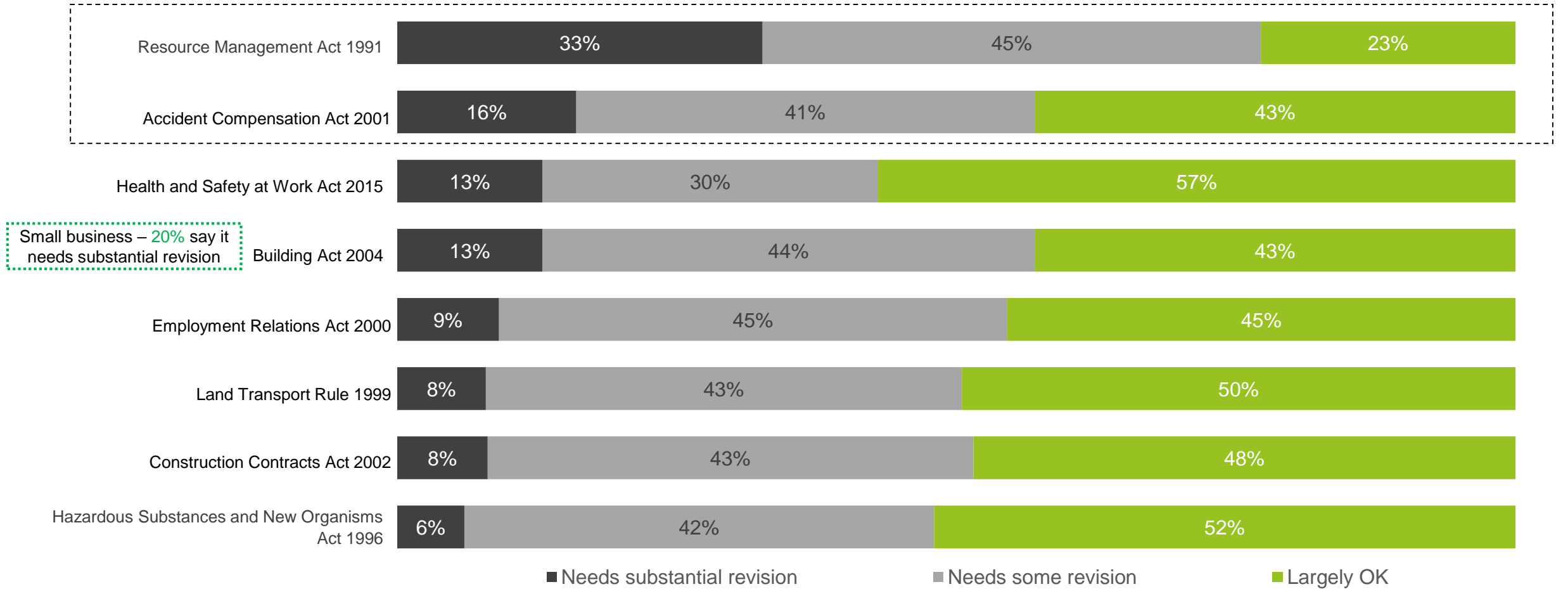


■ High negative impact ■ Negative impact ■ No significant impact ■ Positive impact ■ High positive impact

Q1. What impact do you think these events/issues will have on your business in the next three years?
Base: Total (n=159)

Industry regulations in most need of revision include the Resource Management Act and the Accident Compensation Act

NZ CONSTRUCTION INDUSTRY REGULATIONS REVISION NEEDS

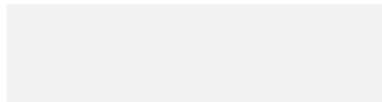


Q2. Of the laws and regulations that affect the NZ Construction industry, which do you think are most in need of revision
 Base: Total (n=159)

Significantly higher / lower than Total



MEASUREMENT AND USE OF TECHNOLOGY



INTEGRATING TECHNOLOGY WITH OTHER SYSTEMS IS A KEY CHALLENGE

Job site and measurement technologies are seen to have value in achieving:

- Efficiencies and savings
- Increased customer satisfaction
- Evidence based decision making

However, there needs to be more:

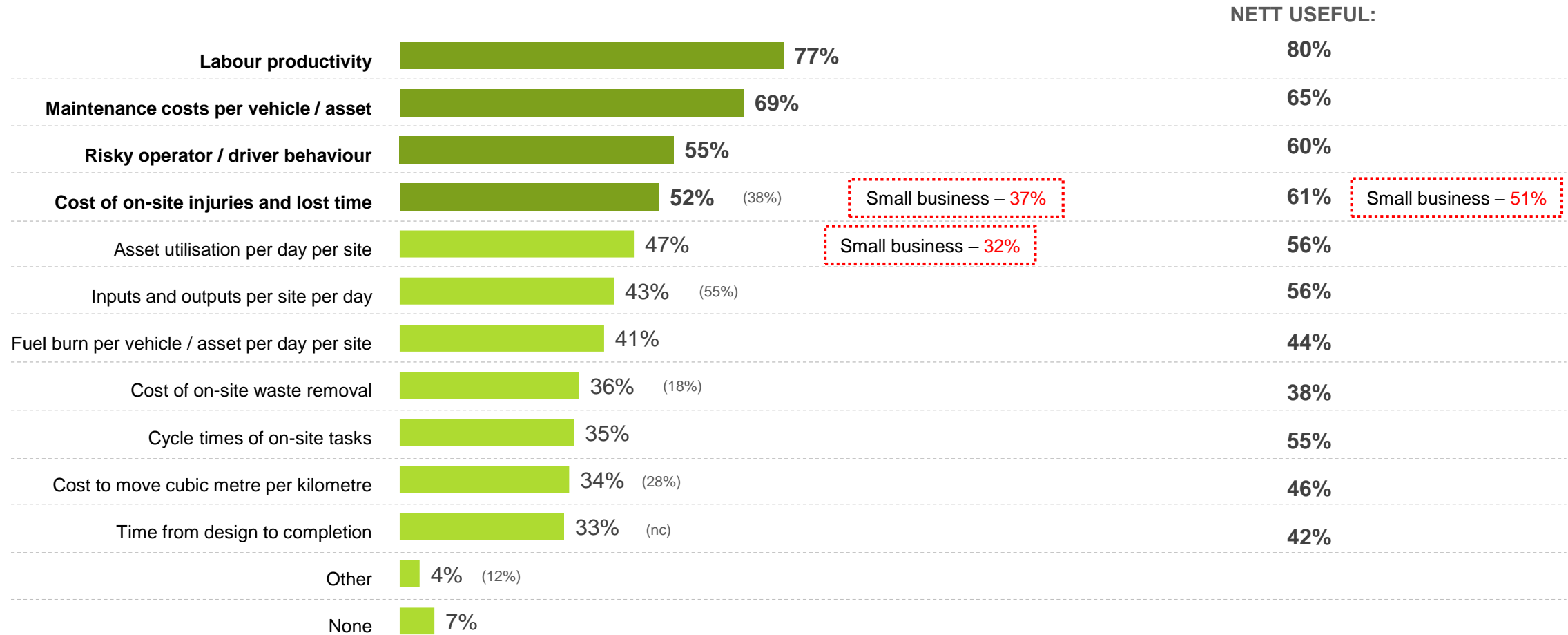
- Staff understanding of the capabilities of the technology
- Integration of the technology with other systems

At the moment, only around a third of the tech used is integrated with project management systems

This is where investment will be in the next 12 months – integrated mobile technology as well as new plant and equipment

Labour productivity is the number one area measured by businesses followed by maintenance costs per vehicle, risky operator/driver behaviour and cost of on-site injuries – these are also perceived to be the most useful measurements for improving productivity

MEASUREMENT AND USEFULNESS IN BUSINESS



Q6. What is your business currently measuring?

Q7. On a scale of 1-5, how useful are the below measurements for improving productivity in your business?

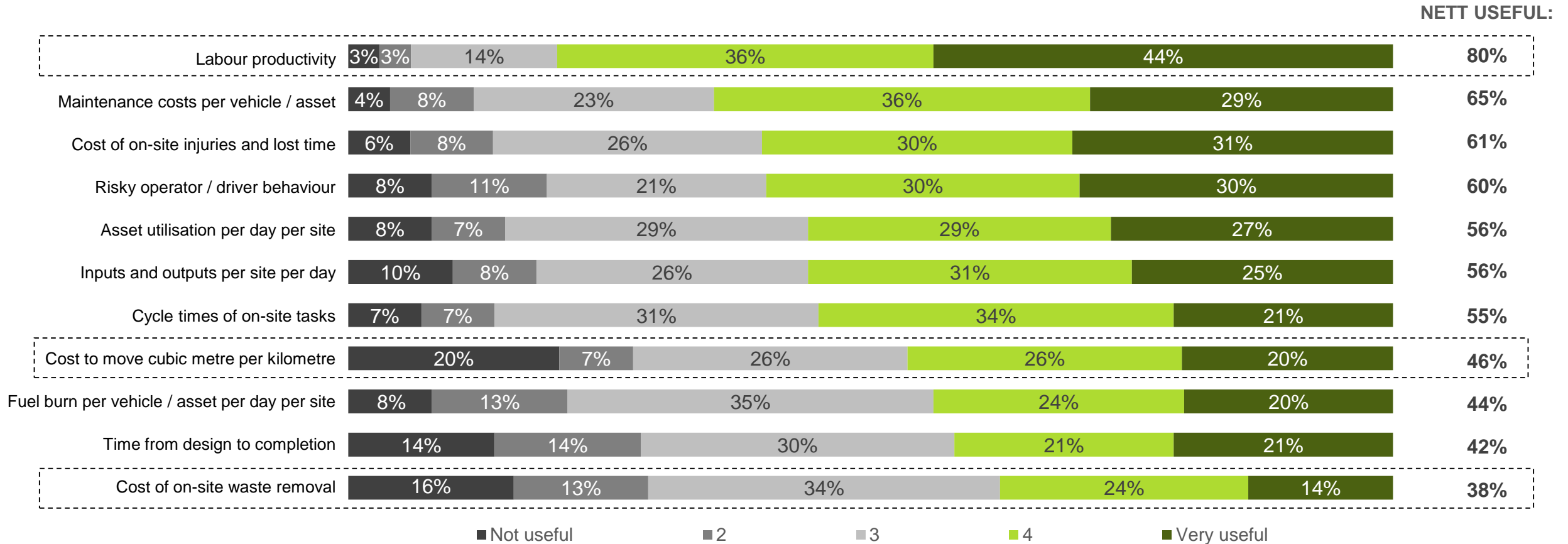
Base: Total (n=159)

() comparison data from 2017

Significantly higher / lower than Total

Labour productivity measurements are perceived to be the most useful by a large margin with the least useful being measuring cost of on-site waste removal; cost to move cubic metre per kilometre is found to be equally useful for 20% and not useful for another 20% of people – this also explains why this might not be a key measure for improving production

PERCEPTIONS OF USEFULNESS OF PRODUCTION IMPROVEMENT MEASURES



Q7. On a scale of 1-5, how useful are the below measurements for improving productivity in your business?
 Base: Total (n=159)

The most common job site measurement technology used includes GPS based fleet management, plant machine and asset monitoring and project performance and management – these are all used more by larger businesses

JOB SITE AND MEASUREMENT TECHNOLOGY USED IN BUSINESS

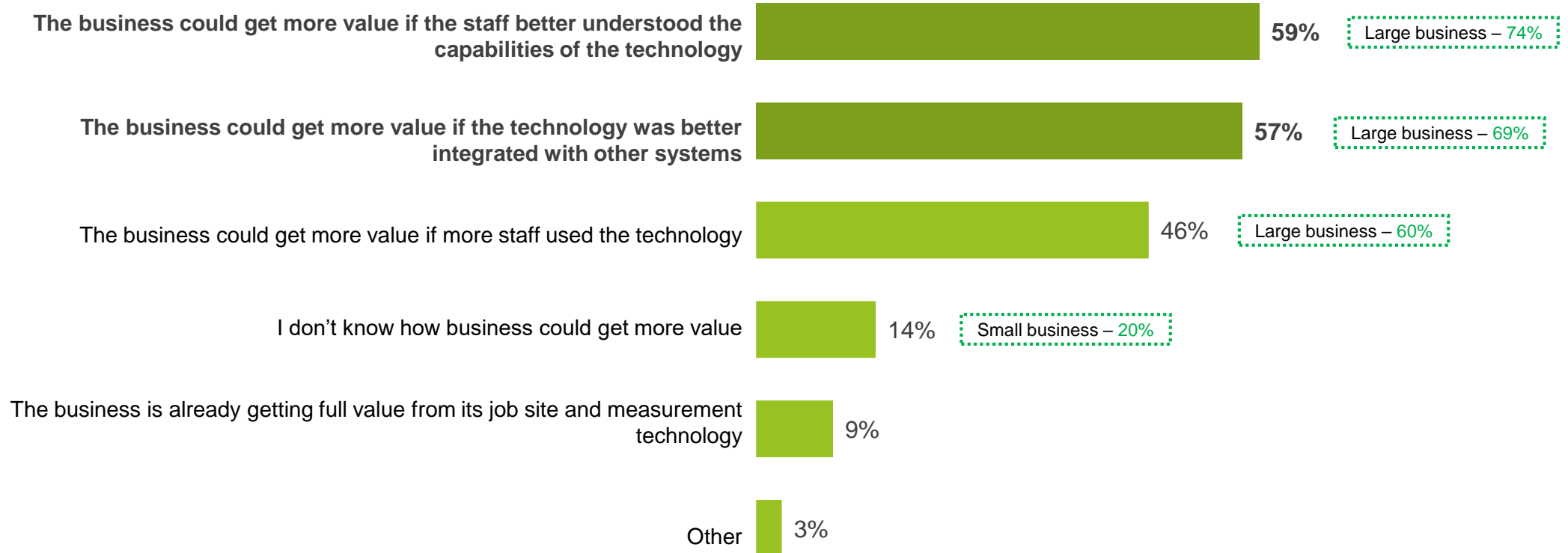
Types of site/measurement technology used	Integrated with Project Management software	High/very high CURRENT value	High/very high FUTURE value
GPS based fleet management / telematics 62% Large business – 79%	30%	62%	63%
Plant, machine and asset monitoring 56% Large business – 75%	31%	64%	72%
Project performance and management 51%		68%	79%
GPS based survey equipment 43% Large business – 65%	33%	77% (86% large business)	70%
Machine control and guidance 38% Large business – 56%	36%	69%	82%
Remote monitoring of people, sites and equipment 30% Large business – 41%	21%	60%	71%
Fuel burn monitoring 27% Large business – 37%	37%	72%	67%
Efficiency software based on jobsite utilisation 16%	35%	62%	77%
Cycle time monitoring 15%	17%	67%	71%
Other 1%			
None 11%			

Q222. What types of job site and measurement technology do you use in your business?
 Q9. Are the jobsite systems that you use integrated with project management software?
 Q10. Of the systems that you use, how do you rate their current value to your business on a scale of 1-5?
 Q11. Of the systems that you use, how do you rate their potential future value to your business, on a scale of 1-5?
 Base: Total (n=159)

Significantly higher / lower than Total

Better understanding of the capabilities of technology and better integration with other systems are how business could get better value from the job site and measurement technology – this is particularly true for large businesses, smaller businesses need help in knowing how to improve value

GETTING BETTER VALUE FROM JOB SITE AND MEASUREMENT TECHNOLOGY CURRENTLY USED

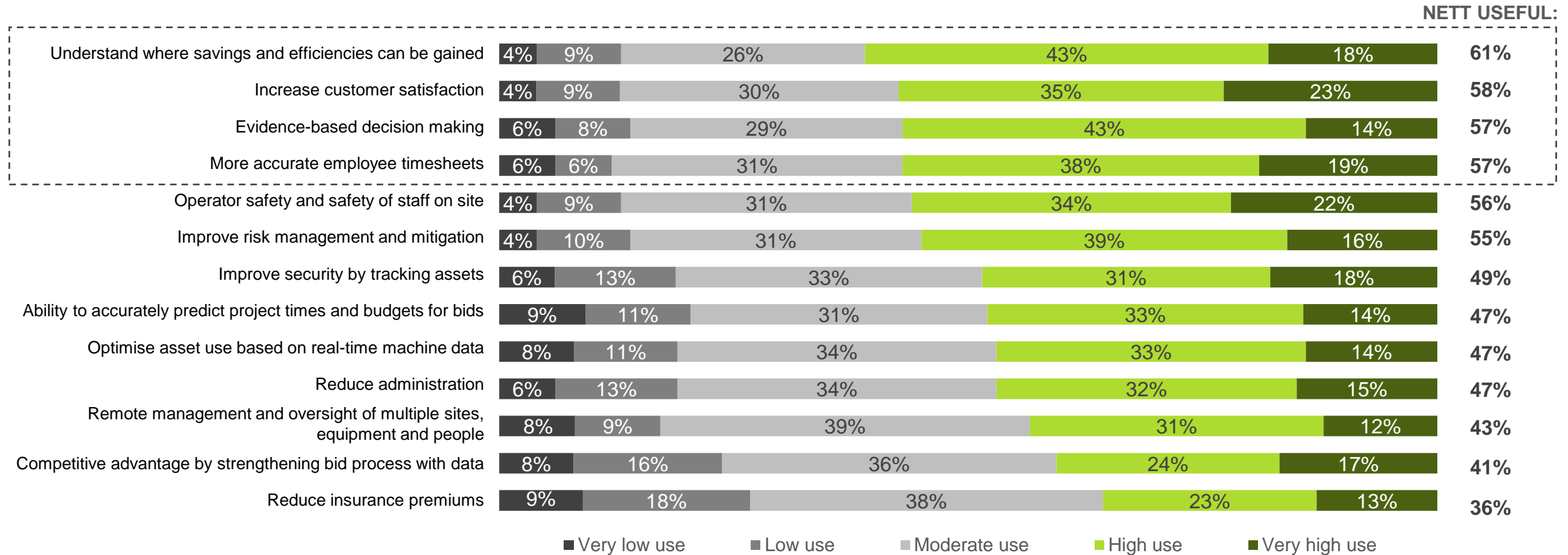


Q12. How might your business get better value from the job site and measurement technology it uses?
Base: Total (n=159)

Significantly higher / lower than Total

Job site and monitoring technology is deemed most useful in understanding where savings can be gained, increasing customer satisfaction, evidence based decision making, accurate employee timesheets

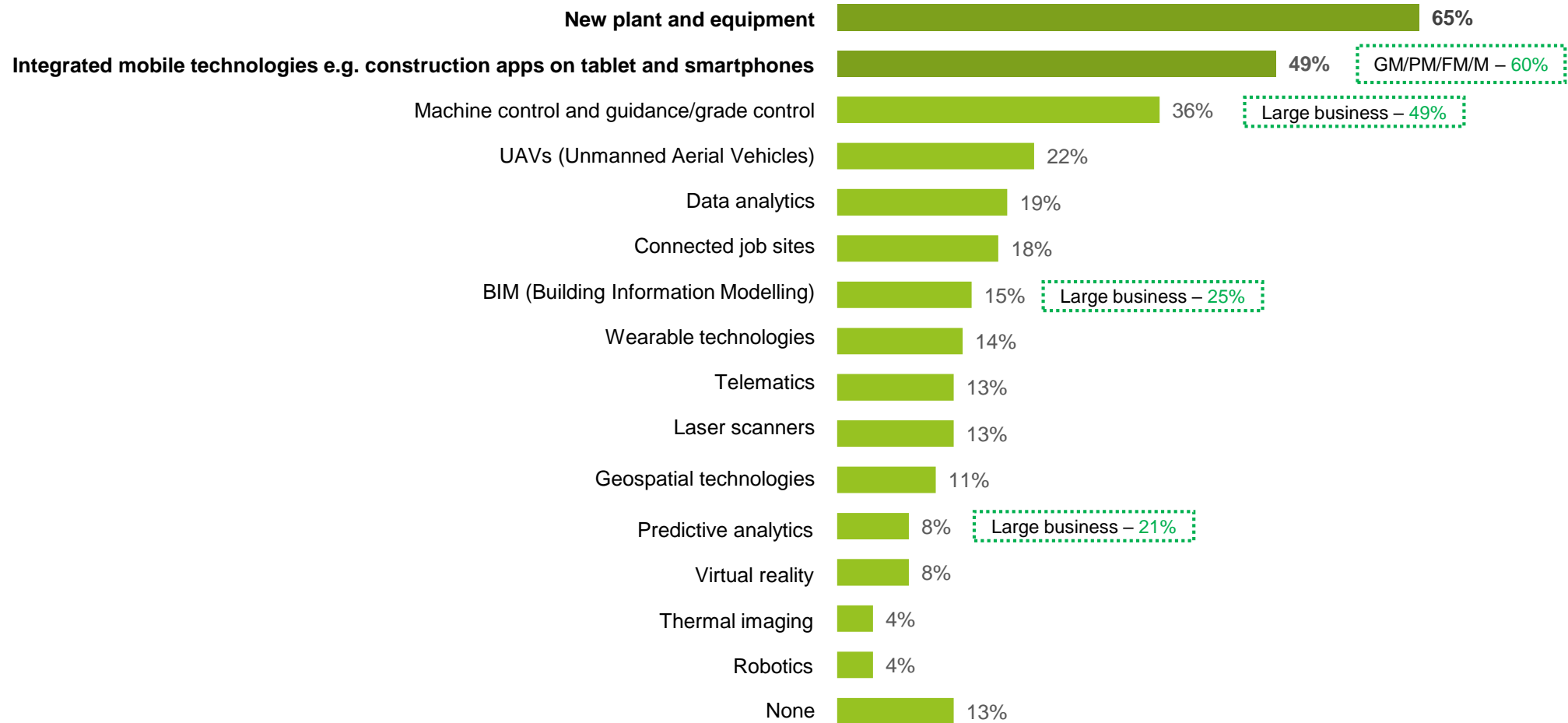
USEFULNESS OF JOBSITE AND MEASUREMENT TECHNOLOGY IN ACHIEVING THE FOLLOWING GOALS:



Q13. On a scale of 1-5, how useful is jobsite and monitoring technology in achieving these goals?
 Base: Total (n=159)

Top new technologies being investigated include new plant and equipment and integration with mobile

NEW TECHNOLOGIES TO COMMIT RESOURCES TO INVESTIGATING IN NEXT 12 MONTHS

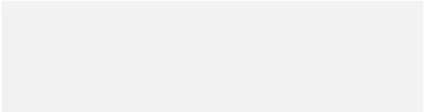


Q14. What new technologies will you commit resources to investigating over the next 12 months?
 Base: Total (n=159)

Indexing 10% higher / lower than Total



STAFF AND SKILLS AVAILABILITY



THERE IS A LACK OF A SKILLED, MOTIVATED WORK FORCE



The need for staff remains:

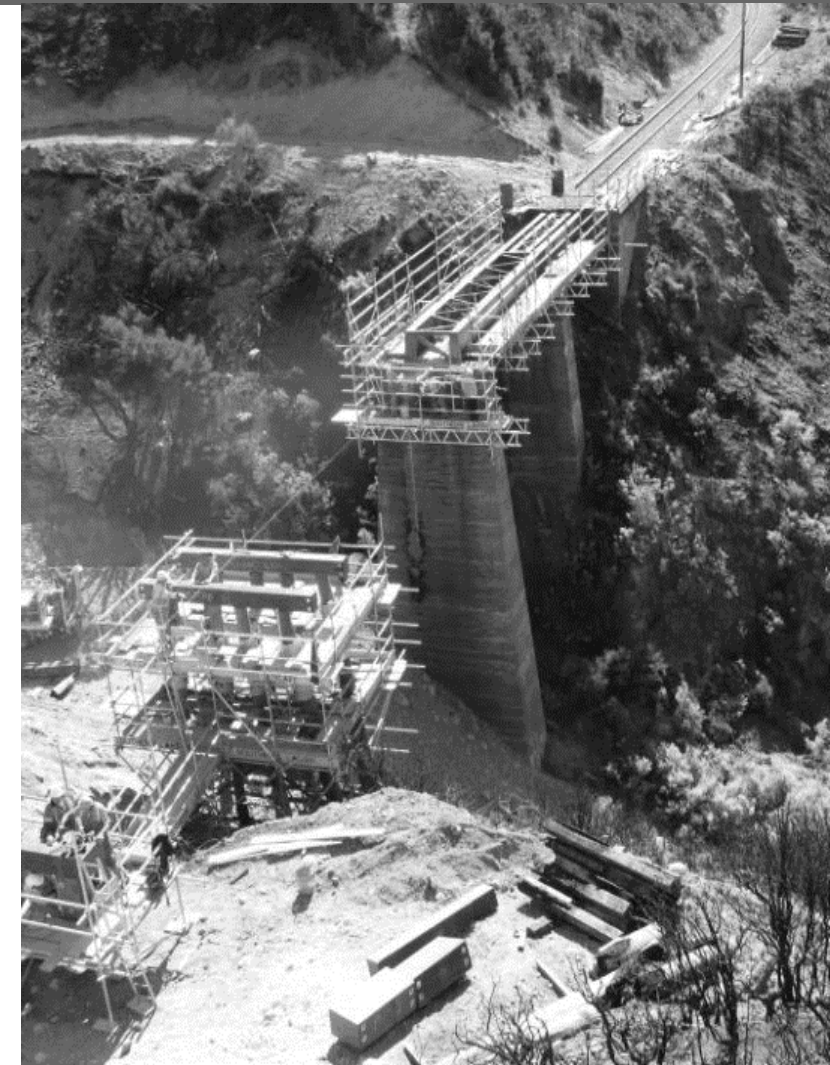
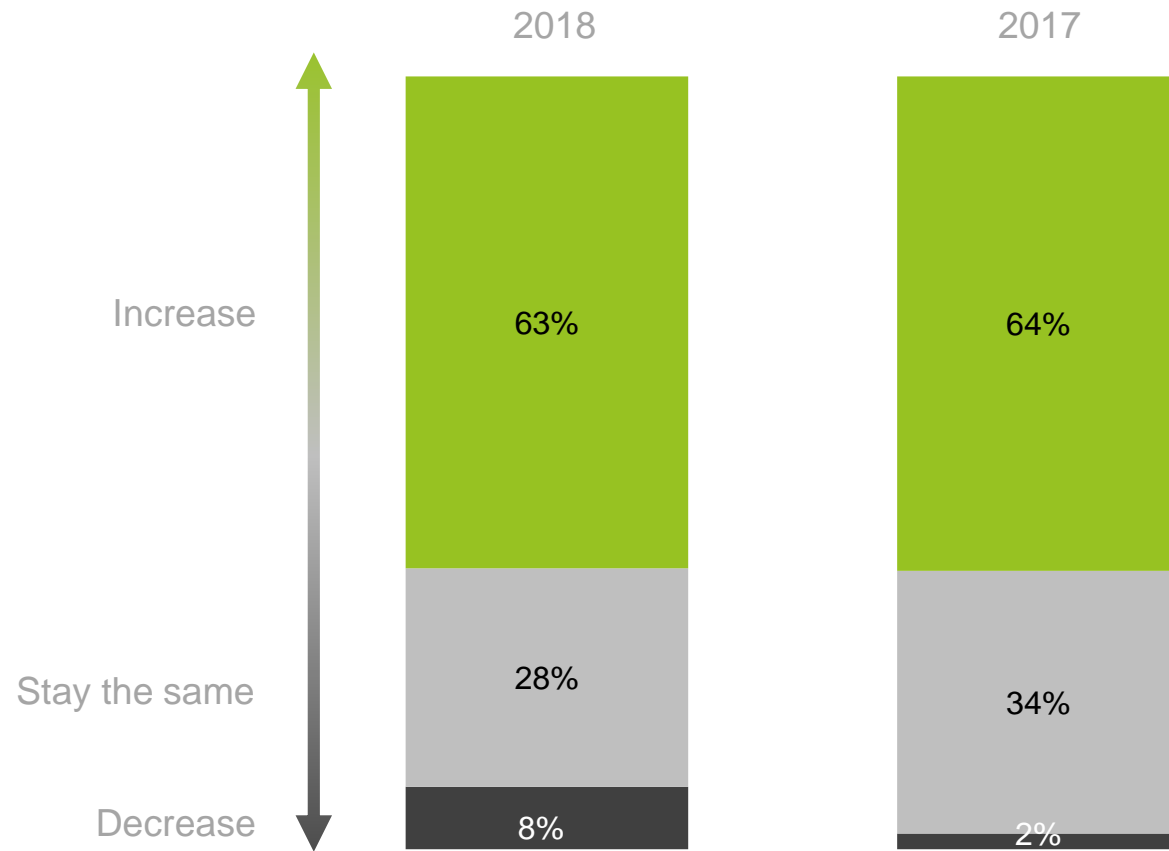
- 63% say their need for staff will increase
- The number they need is around 1-5 workers (this is significantly less than 2017)

Key challenge in finding staff is:

- A lack of skilled workers
- A lack of motivated workers

Most businesses still feel their requirement for staff will increase but with slightly more saying it will decrease compared to 2017

REQUIREMENT FOR STAFF IN THE NEXT YEAR

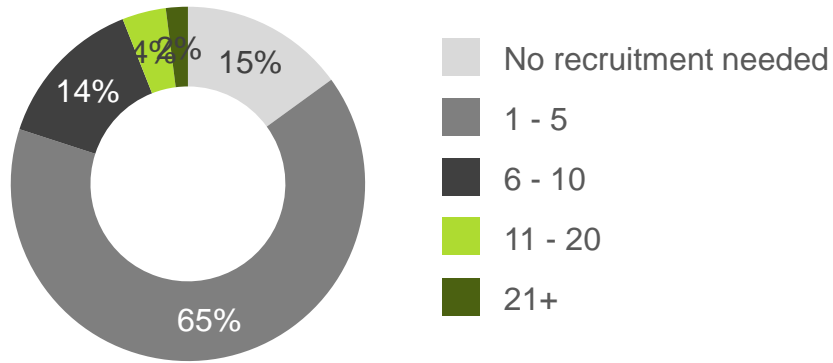


Q19. Over the next year, do you think your requirement for staff will...
Base: Owner, Director, General Manager, Project Manager, Fleet Manager (n=95)

() comparison data from 2017
Significantly higher / lower than Total

There has been an increase in those requiring 1-5 more staff in 2018, while there is a decline in the need for more than 10 staff; top recruitment challenges include a lack of skilled workers, motivation and uncertainty on future projects

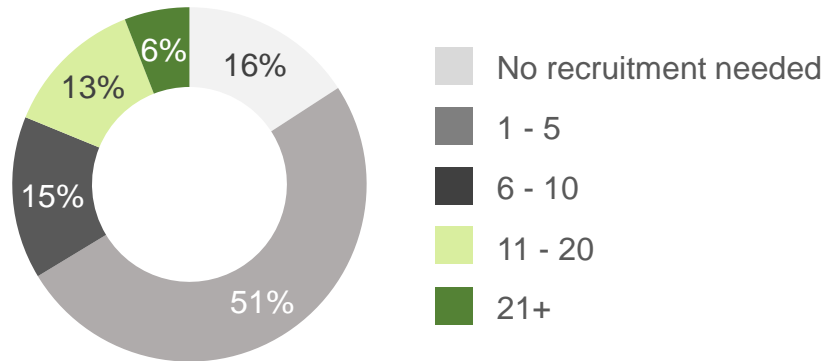
NUMBER OF STAFF WOULD RECRUIT 2018



2018

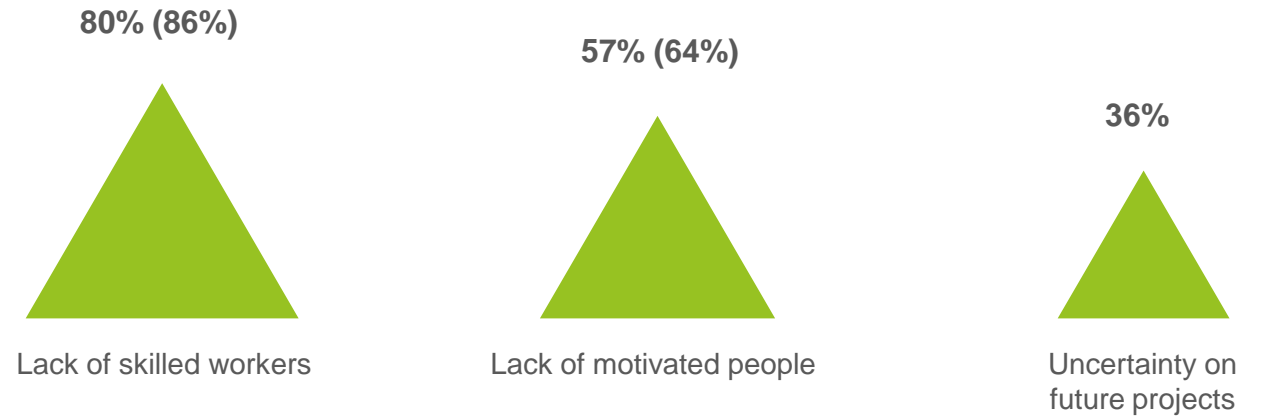
NUMBER OF STAFF WOULD RECRUIT 2017

2017

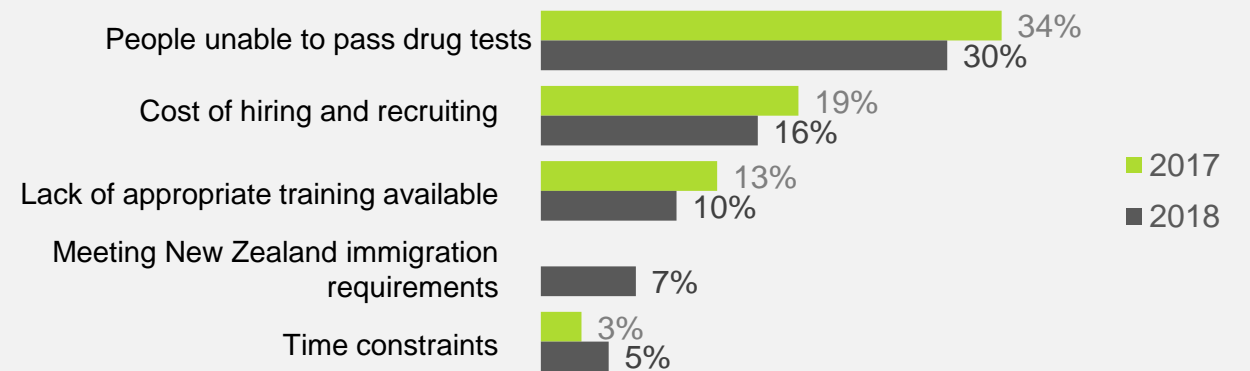


Q17. How many staff would you recruit today if people with the right skills were available?

TOP 3 – CHALLENGES TO RECRUITING STAFF



OTHER CHALLENGES

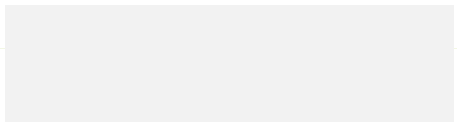


Q18. What are the three biggest challenges to recruiting staff?

Base: Would recruit today (n=81)



PROCUREMENT





THERE IS A NEED FOR A SHIFT IN FOCUS FROM 'LOWEST PRICE', TO 'VALUE' IN PROCUREMENT

Key issues in procurement:

- 85% agree that a poor procurement process negatively affects the entire project
- Client focus on lowest price is not perceived to be helpful, neither is cut price bidding by contractors nor is a lack of a visible pipeline for planning

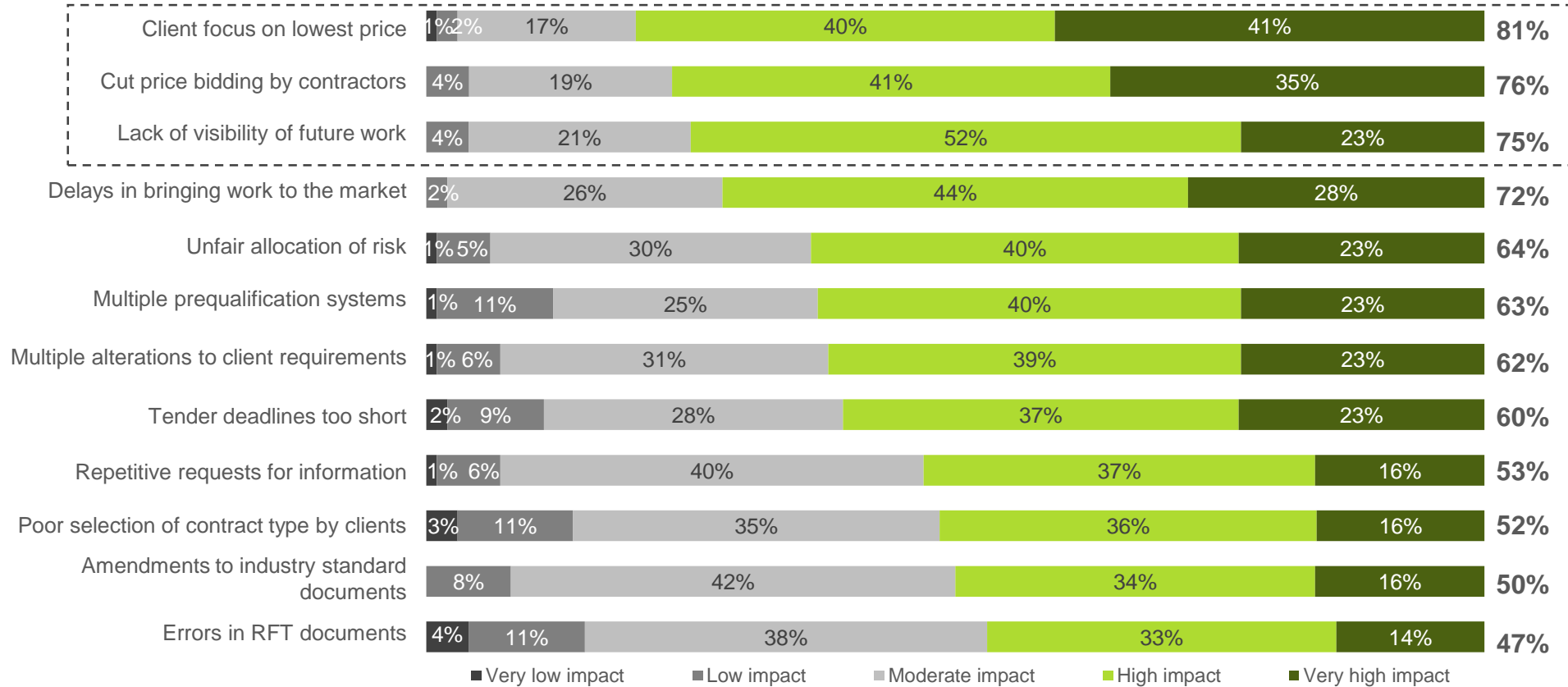
What can clients do to help?:

- Collaborative understanding on allocation of risk
- Focus more on what is best for the project, what has the most value – focus less on pricing alone

Client's focus on lowest prices, cut price bidding by contractors and a lack of visibility of future work are all key areas of impact on procurement; the large majority believe a poor procurement process affects the entire project negatively

LEVEL OF IMPACT OF PROCUREMENT PROCESS ISSUES

NETT IMPACT:



85%

Large business
- 93%

believe a poor procurement process usually affects the entire project adversely

Q20. Do you think a poor procurement process usually affects the entire project adversely?
Q21. Assess the level of impact of your business of the following problems that may arise during the procurement process.
Base: Total (n=159)

Significantly higher / lower than Total

69% don't believe clients have enough of an understanding of procurement; key areas of attention include better understanding of risk, better transparency between local and central government regarding pipeline work, 'best for project' focus, less focus on price and more on value

CLIENT UNDERSTANDING OF PROCUREMENT

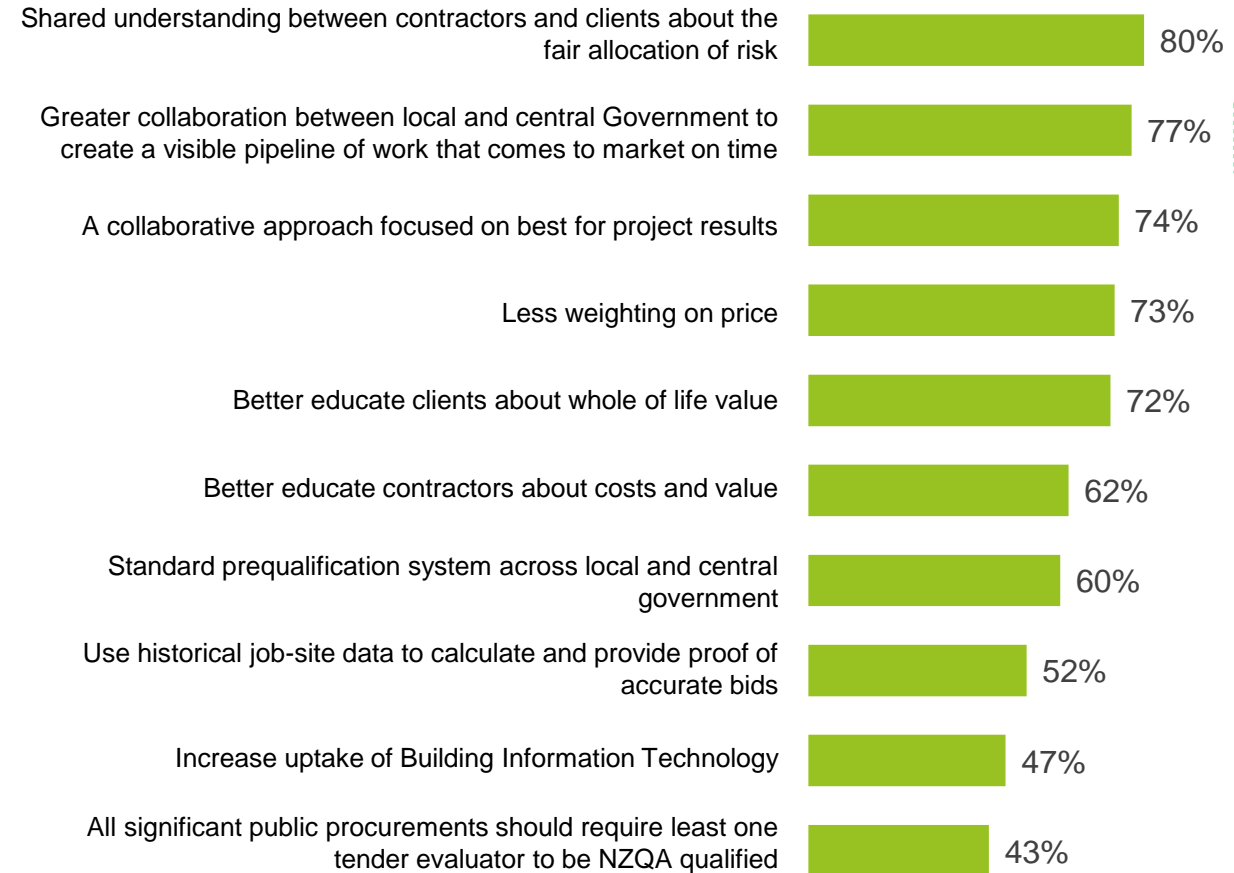
69%

Large business
- 81%

don't believe clients have sufficient understanding of procurement in the construction industry

Q22. In general, do you believe clients have a sufficient understanding of procurement in the construction industry?
Base: Total (n=159)

HIGHEST RANKING CONTRIBUTORS TO IMPROVING PROCUREMENT IN NZ

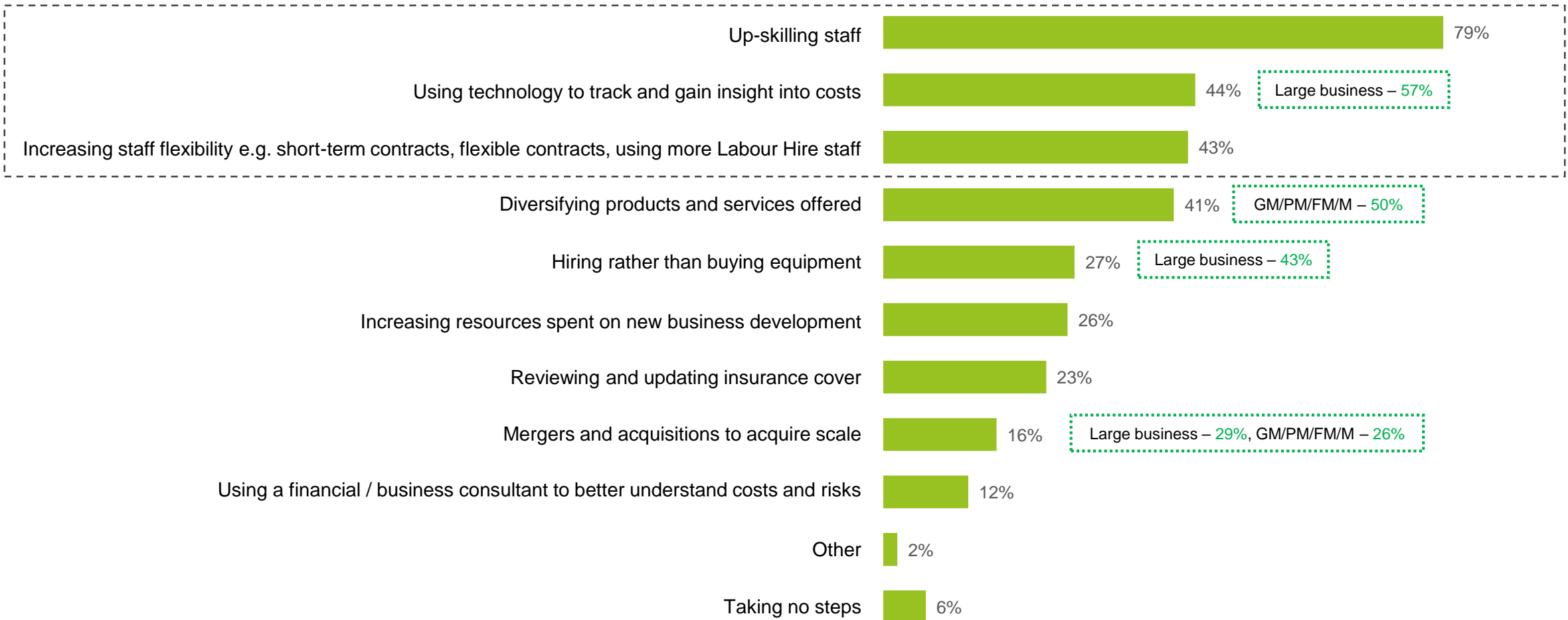


Q27. Prioritise the below suggestions based on what you think will contribute most to improving procurement in NZ
Base: Total (n=159)

Significantly higher / lower than Total

Staff up-skilling is by far the most popular step taken to better manage risk and demand changes followed by technology and staff recruitment flexibility

STEPS TAKEN TO BETTER MANAGE RISKS AND WITHSTAND DEMAND FLUCTUATIONS

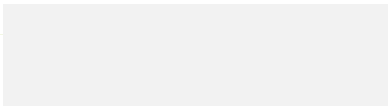


Q28. What steps is your business taking to better manage risks and withstand fluctuations in demand?
Base: Total (n=159)

Significantly higher / lower than Total



FOCUS ON CCNZ



CCNZ'S VALUE IS ACKNOWLEDGED

Most businesses are members of the CCNZ:

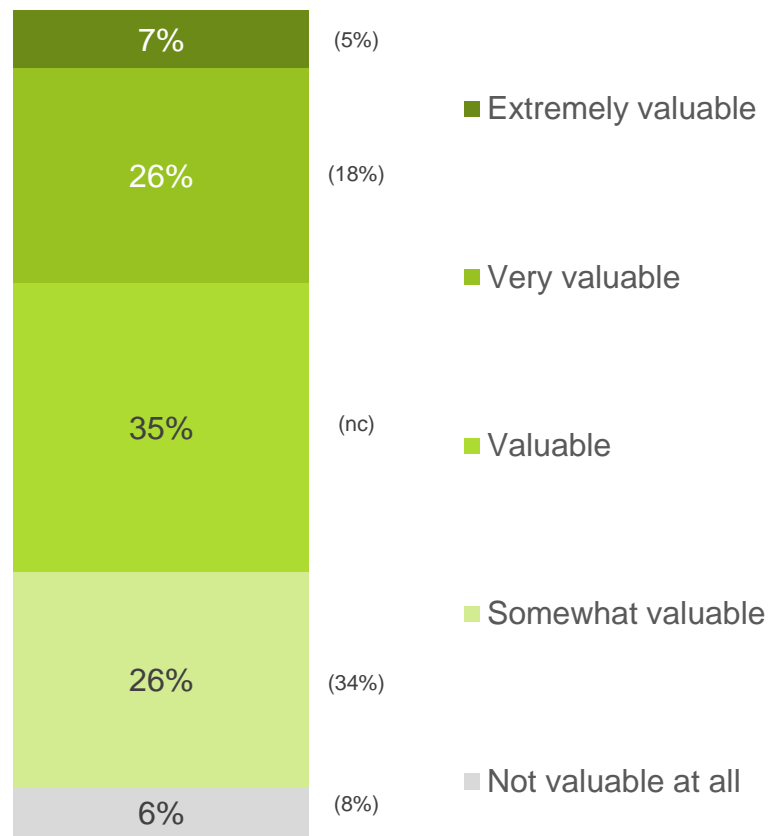
- 61% are members
- A third of members are actively involved
- 67% of members see the CCNZ as being valuable to the industry

How can the CCNZ improve?

- Offer more training and education opportunities
- Support with government lobbying
- Provide best practice guidelines for the industry

Just under 2/3 of respondents are CCNZ members with about a third of those participating actively; the value of CCNZ is noted with 67% of CCNZ members claiming the CCNZ is extremely/very valuable; key areas for improvement for the CCNZ include more training and education and more regulatory support

CCNZ VALUE



AREAS FOR IMPROVEMENT



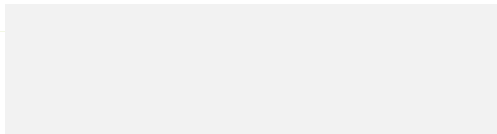
() comparison data from 2017
Significantly higher / lower than Total

Q23. Please rate the value you think you get from your membership of CCNZ
Q25. What are three things CCNZ could do better to provide more value to you?
Q26. Do you participate with your local CCNZ branch?
Base: CCNZ members (n=97)





FINAL THOUGHTS





SUMMARY

- External factors to the industry such as economic growth are key concerns, while key opportunities to the industry include demand for housing within and outside of Auckland as well as water supply and waste water management
- There is a need for better integrated technology
- There is a lack of a skilled, motivated workforce
- The procurement process needs an overhaul – there is a need for more focus on ‘best for project’ and value based decision making and less focus on merely the lowest price
- CCNZ is seen a valuable entity; key areas where it could support the industry better include training and education, regulatory support and lobbying, providing best practice guidelines



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