

Firm streamlines costs for builders

By James Pilcher • jpilcher@enquirer.com • October 4, 2009

It sounds like an oxymoron in this recession: a successful company catering to the battered construction industry.

But for fast-growing iSqFt in Blue Ash, the description is apt.

"What you typically see in the construction industry historically is that when times are tough, contractors did not invest in technology," says Dave Conway, the company's founder, president and chief executive officer. "What we're seeing in this recent downturn is that contractors are looking to invest in technology to improve their effectiveness at a lower cost."

That focus has played right into the hands of iSqFt (pronounced Eye Square Foot).

Started seven years ago by Conway through his own funding and some venture capital, iSqFt allows contractors to view plans for potential building projects over the Internet, and then to bid on projects online. Previously, contractors had to send someone to a physical office in the county where a particular project was located. The contractor's rep would make copies of plans and bring them back to the office, where estimates would be made.

In the past five years, Conway says his company has tripled the number of customers. This year over last, iSqFt's revenues have climbed 30 percent and profits are up 80 percent. Since 2004, revenue is up 264 percent, and the company has grown from 53 workers to more than 250. Conway says his company plans to hire at least another 100 workers by the end of next year.

Recently, iSqFt bought an unnamed company that Conway says will grow top-line revenues by an additional 15 percent a year.

Conway declines to disclose specific financial information about his privately held company. But downtown-based venture capital firm River Cities Capital Funds is so optimistic about iSqFt's future that it invested another \$2.5 million earlier this summer.

"We all believe that we still have some work to do. But we feel that we have hit an inflection point that will only allow us to increase the value over the next few years and position ourselves for (a merger or acquisition) exit," says Dan Fleming, managing director at River Cities. The firm already has sunk at least \$30 million into iSqFt.

Overall, the U.S. commercial construction and home-building industry is expected to be down 20 percent this year - one of the hardest hit sectors in the recession.

But that trend actually works in iSqFt's favor, says Steve Sandherr, chief executive officer of Associated General Contractors of America.

The company "is providing a service that is most important to a contractor today, which is how to find work - identifying projects, what is required in the projects and whether the requirements of the project fit the expertise of the contractor firm," Sandherr says. His Arlington, Va.-based trade group represents contractors nationally, with many regional offices teaming up with iSqFt for exclusive contracts.

"It is a lead generation tool, which is critical in this environment."

At least one local customer says iSqFt's products have allowed him to stay afloat.

"First of all, it saves us a ton of money given that we would normally have had to run and get the plans by hand and then pay for a copy and then have our estimators pore over them," says Art Honeycutt, president of Sharonville-based ComTek Interiors Inc., a commercial flooring installation company. "Not only does it allow us to bid on more projects - and it is a numbers game - but it helps us identify the projects that we are not qualified for, which saves us even more money."

Honeycutt says the system has created another benefit: It's exposed his company to bigger contractors that now trust him for subcontracting work. This networking has created as much as \$9 million in new work for Honeycutt, who says he's spent less than half of that on iSqFt services.

"We never called it social networking, but we did call it networking when we started back in 2002," says Fleming, who also sits on the iSqFt board of directors. "We never really tried to monetize it along the way, but the value for the customer and for us expands and accelerates as the network hits critical mass."

Conway says that more than 85 percent of the firms that use his service stay with it, and that is the key reason for success.

"I call myself the chief customer experience officer, because in the end, that's what it's all about," Conway says.

"Whenever you are in contact or in touch with us, you will experience first-class service. I think that's why our retention rates are way above the industry average, and why we've been able to do what we've done."

#