



ThinkLab

DESIGN NERDS ANONYMOUS

Navigating what's next in design.

The Number 1 Issue Frustrating Your Clients Today

(Please excuse any grammatical errors in this transcript as it was auto-generated from an audio file.)

Amanda Schneider: Welcome to design nerds anonymous, the podcast that sparks curiosity at the intersection of business and design. I'm your host, Amanda Schneider, founder and president at ThinkLab. This season, we're turning our focus to a crucial topic, the B2B decision making process within the built environment.

Now, over the past six months, we've been diving deep with the decision makers who shape spaces, whether corporate offices, healthcare facilities, hospitality venues, educational environments, and beyond. We've closely examined shifts. Alongside end users, architects, designers, and other key players who know just how complex and layered these choices can be this season we're pulling back the curtain on how decisions are made today. What drives them? How they've evolved and how product and service providers can better support their clients think [00:01:00] of this like group therapy for all of us navigating this intricate and sometimes overwhelming landscape.

In this episode, we're tackling the single biggest challenge, frustrating clients right now. What is it? Pricing. While it's no hackathon didn't solve for inflation. What we did uncover might be even more revealing. Pricing issues aren't just about the numbers. They're about the volatility and the chain reactions it sets off, especially later on in the design process.

This instability has emerged as the top driver of anxiety for many of our participants, even reshaping how project teams are structured. Now, during our sessions, we played a game of would you rather, and one question stood out. We asked participants, would you rather A, no pricing would double or B, hold on to hope that it might fall, [00:02:00] but also risk it could rise.

The answer surprised us 60 percent chose option A, but it wasn't because of the price itself. It was because of the rework caused by these shifts and changes in pricing. We learned that it's often not the cost it's the unpredictability and the follow on ripple effect of changes required that's truly driving frustration.

As the industry grapples with this unprecedented cost volatility, our panelists agree. The worst may be behind us. There's still plenty of lessons to learn. So today we're joined by a diverse group of experts, Jason Swallow, an end user from the education sector, Luke Roberts, creative director with LG group, a developer, and Julie Deignan, a furniture expert from CBRE.

All right, let's dive in and meet our panelists.

Julie Deignan: I'm Julie Deignan. I am the practice lead for [00:03:00] CBRE Furniture Advisory Services. So we act as an owner's representative when it comes to Managing their furniture programs and or, developing and issuing their furniture RFPs. So I think we are through the volatility

and we are now dealing with the aftermath and getting a real understanding of what that impact is to our clients.

The aftermath is significant in the sense that you have a lot of MSAs that are expiring or are maturing. And so list price holds are being lifted. they're starting to get their first real look at what is the pricing in 2024 2025 versus what they were paying in 2019, 2020, 2021. And it's significant enough that clients are saying, I have to go back out to market because if our pricing has jumped this much, I need to demonstrate to leadership, What is happening in the [00:04:00] competitive market to make sure that we're aligned with the right partners,

[00:04:03] **Luke Roberts:** I'm Luke Roberts. I'm the creative director at LG group in Chicago. we're a multi arm company with, design teams in house, but we also I think it's really important to have a development arm and a general contracting arm. when I thought of these costs and how it's been followed and it's changed and shifted, myself and our design team is at an interesting place where we're seeing this from all angles you know, we're trying to get developments out of the ground.

We're doing bids with our contractor. And so we're understanding this really 360. I think more than ever. and I think what's been really interesting maybe from one positive thing that's come out of this is that, because we're so plugged in with all sides of this, what I've noticed Similar to what Julie said, cost volatility is there's so many subs and trade partners and vendors that want to help and want to be a part of the solution.

And I think there was a moment where they got ruled out where it was like, they're pricing too high. We can't afford them. we're learning, I would say within the six months, come back to them, [00:05:00] talk to them, have an open conversation. They want to help. They also need to be in business.

So I think there was a moment where we had to really and figure out how we were gonna make these projects happen. And now I think it's about coming back to those people.

We're going to come back to that after Jason introduces himself. So Jason.

[00:05:19] **Jason Soileau:** Hi, Jason Soileau. I'm the Assistant Vice Chancellor for Planning, Design, and Construction at Texas Christian University in Fort Worth, Texas. is a private institution. We have a total student population of about 12, 000 students, about 10, 500 grads, 1, 500 graduate level students. certainly price volatility, agree that started to level out.

Now it's the impact. It changes every decision that we make. It's part of a perfect storm that all universities are experiencing, TCU, it certainly has caused us to be much more deliberate about where we spend our funds and what we're able to do, which is, A little bit of change of culture here.

We're used to buying our [00:06:00] way out of problems, and we don't necessarily have that ability anymore. and so we have to be very cognizant and aware of moving forward. it also just personally, it created a challenge for people in my position to maintain credibility with our leadership because we tell them expectations of what we think something is going to cost.

Here lately, almost every single time it's over on. Then we have to explain that have big push to try to put it back in a box just really presented some challenges.

[00:06:29] **Amanda Schneider:** I love that you bring up that credibility to your leadership because I'm sure that's a big challenge for people in your role and I'll say unfortunately, our research did not solve for inflation, or the aftermath of said inflation and volatility but I want to dive in. To where you see opportunity,

[00:07:00] [00:08:00] Luke, you kind of started talking about some ways that you're working with your partners, be it service partners a little bit differently, millwork partners, product partners, where do you see opportunity for our industry to do better on behalf of you and your projects?

[00:08:47] **Luke Roberts:** Right now, those opportunities that we're seeing is revisit to more of a design build approach where we're bringing everyone in. We're bringing the trades in earlier. We're trying to streamline the process. So we can get real numbers [00:09:00] sooner, present them to the client and work through. Those in real time and just let everybody in. I think there was a phase where it was more like, we have these meetings, we run off with the trades, we get the numbers, we present them back, and there was this ping pong And now it's just let's just get everybody at the table.

Let's just talk about this. We can lift the curtain and really work this out and I think that's been an interesting shift where we're cutting out a lot of time, but also there's not so many rounds of revisions and it was born out of necessity, but I do think it's a better process.

[00:09:29] **Julie Deignan:** know, it's interesting because what Luke is describing also helps. Address Jason's comment about losing credibility with leadership. when the service providers are brought to the table earlier, it does help to mitigate the frequency in which those conversations need to be had about costs moving around.

It also gives the client a better opportunity to build that relationship with the service provider. So when those conversations do transpire, they're not as [00:10:00] tenuous. because you've been working at this together and the client has more exposure into why the numbers are shifting, and I think is in less of a vulnerable position than when they have to go to leadership.

[00:10:14] **Jason Soileau:** No, I would agree with that. And that certainly is a big change in the way that we've done business over time. I've been in this business for a while, and I would tell you that prior to 10 years ago, I used to rely very heavily on my architects to come with their cost estimate, and they were pretty close.

They'd nail it. it was pretty good. And then about 10 years ago, there was a shift to using more professional estimators on the project. And again, they were pretty good. But here in the last couple of years, we require, even at pre programming studies, or what we call feasibility studies, we require the architects to bring on a pre approved contractor.

as part of the team, and they're in contact with various subs, they help us formulate project budgets as early as the studies. They walk through every phase of design, and help to inform how can we build [00:11:00] things cheaper? How can we do things less expensive without compromising scope and without compromising program?

Because again, at TCU, we pride ourselves on a very high quality customer experience, student experience. very and we don't want to compromise that. But at the same time, the budgets can't

continue to creep. from my perspective, to add one more thing, you talk about what can people in your industry do better?

one thing I appreciate is when my architects and my, when my vendors come, not just, yes, it costs more and here's why. Come to me with strategies of how I can get that cost back into the box. I can't always go tap into more money. we have to have strategies to try to get back, into the budget.

[00:11:41] **Julie Deignan:** I love the idea of bringing these partners to the table earlier but obviously there's still a narrowing of who those partners are. I'm curious, what makes you choose one partner over another? Could be a furniture partner, could be a GC, could be, that A& D partner that you're talking about. What is the value that those vendors are adding that [00:12:00] makes you want to invite them in earlier? I start we're a 10 year old line of business within CBRE. And after the first two years, we did a look back at What were the drivers for why our clients ultimately made the dealer selections that they did and what we expected to see. Was that it was low cost provider.

And what we saw instead that it was about confidence in the team and chemistry. So we changed our process. during programming, we're holding dealer interviews. So the manufacturers are not involved. It's just the dealers, the service providers, the frontline for our clients to get their firsthand, look at the different teams that would be supporting them, and then once they force rank them.

Inevitably somebody is going to fall to the bottom. And then we asked the question, do you have enough confidence in them and enough chemistry that you would buy product from them, even though they're number four on the list? Sometimes it's yes. And sometimes it's no. And so we use that as an early [00:13:00] opportunity to begin to establish that relationship with the dealer and only those dealers then that are selected by the client receive our RFPs.

And so we start that vetting process very early on because to us, that's where the stickiness is with the dealers.

[00:13:16] **Luke Roberts:** Yeah, I would agree. I think a lot of it is personality and a lot of it is. Comfort level, we'll bring trades to the table that have been, the bread and butter subs that we've worked with the trades people that we know, like Jason was saying, are going to be strategic with us and aren't gonna, shy away from different ideas and new ways to do it, and you can achieve the same thing and strip this out as a detail you don't need, like we've got to have that rapport with, them early.

I think a lot of times, there's some trades people that honestly just in the pre con act as advisors with us, you know, it might still go out to bid when it becomes a real job, but we need their expertise to, to help us.

You can't be an expert in everything. Otherwise things would be too easy.

[00:13:56] **Jason Soileau:** Yeah, I've heard the word relationship come up and for the end user, it's so much about [00:14:00] relationships. You know, generally, we have a set of highly trusted, contractors here in the Dallas, Fort Worth area that we typically, like to use. We have high end materials.

quality construction. So a lot of it is demonstrated excellence when we bring in a new team. and then the proof is in the pudding, right? How are they engaging with us? Are they really listening? Are they bringing creative solutions to the table? are they just coming in and saying, we're the experts, listen to us and trust us?

Demonstrated excellence and, relational based, engagement is very important.

[00:14:29] **Amanda Schneider**: . is there anything that you have seen about someone who is breaking the mold maybe some ways things have always been done? That has helped you make better decisions despite some of the price increases that are happening.

[00:14:42] **Julie Deignan**: What I've seen dealers start to get more savvy on is really tracking their time when it comes to responding to the RFPs as well as project execution and really beginning to understand what is their cost structure.

Particularly [00:15:00] as the scope of work is beginning to shift. So a lot of ancillary is coming out of the design firm hands. And the dealers are being asked to put forward those initial recommendations, those look books, And the dealers are beginning to get a much better handle on what is the cost for doing that, right?

It shouldn't be a pass through. And working with us, working with our clients and helping us to understand that so that they are fairly compensated for that additional work that they're now taking on that to us has been a very significant shift.

[00:15:31] **Luke Roberts**: you know, especially in the FF& E world with us, Recently, our design team has been growing and we're working with the dealers and reps more and it feels like Julie, I'm curious what you think about this. It feels like there is. Less of a, less of a game with target prices.

we know where we need to be. Hey, we have this furniture package. This is the intent. We're trying to be around 50 K They're hitting it.

And I feel like that's been huge for us to just really, again, establish trust. No, they're in our corner. [00:16:00] They're not trying to upsell us. we know what the number is all the client has. that's been a really welcome shift.

[00:16:06] **Jason Soileau**: I've got a very highly competent interior design team that reports to me I have a high level of confidence that they're getting to that degree and ensuring that we're paying what we're supposed to pay. Certainly, there's a lot of trust, but verify. bring me supporting information demonstrating that what I'm paying is consistent with regional costs, especially when it comes to our industry But higher ed tends to build, the 100 year building as everybody likes to call it, as opposed to the 20, 30, 40 year building.

So show me how our costs compare to that. in the regional context, and so prices are up. Can't do much about that. be honest and transparent. Transcribed But demonstrate to me that I'm not getting gouged.

[00:16:45] **Luke Roberts:** Yeah. and it's also just honoring some of those trade relationships that they have. So if I suspect a black tile in my prices too, and they don't buy from that company, okay, show me your 2 black top. I think a lot of it is just the transparency.

We've [00:17:00] definitely had those conversations more and more.

[00:17:02] **Amanda Schneider:** Julie, before we leave this, I want to come to you real quick because one of the things I hear from a lot of our A& D partners, is sometimes commercial real estate brokers or project managers are setting unrealistic budgets that then they're trying to design to, which can be a challenge.

any comments on how we as an industry could overcome that?

[00:17:19] **Julie Deignan:** I do think it's a legitimate problem in the industry. we see people continuing to use numbers from five, six, 10 years ago that no longer apply. So what used to be, plan around 25 a square foot. We're now saying 35 a square foot.

And even that can be a stretch to get to. So some of it is educating. brokers and the project managers and the design firms, but also educating the furniture dealers and manufacturers on how to calculate furniture on a per square foot basis. So the furniture industry talks in dollars. And the rest of the industry, they speak in cost per square foot.

And so I do think that there is a learning [00:18:00] curve on both sides of this equation that could be strengthened with some education.

[00:18:06] **Amanda Schneider:** Well said.

[00:18:07] **Luke Roberts:** Yeah, I think what would be huge we're learning it, every project we learn it, but it's what you said in terms of the cost and the square foot, but also on these development projects. The high low is all over the place, what we spend in a lobby versus what we put in the coworking and then there's outdoor furniture, which is 2 times the cost of indoor.

So our development team, when they're using a standard square foot number, a lot of the times the design team's down screaming that doesn't work. That doesn't translate to all these spaces.

So let's move on to some mindset shifts. one thing that we talked about was VE and, , it [00:19:00] should be an integral part of the process, I'm curious if there's any other mindset shifts to help really control the aftermath of this volatility for your world. A big shift for us here with both the design and the development side is just up front explaining that the value engineering is not a bad thing. Nobody's in trouble. It's part of the project, and telling the client up front, this is going to happen.

We're going to go, we're going to price all these things. You're not going to be able to afford it all. And then we're going to sit and talk through it. And I think just the tone shift is important. Of what value engineering is, has been good for us and good for the client. It's, it has to happen. It's part of a project.

It's part of the life cycle and just getting the negative connotation away from it.

[00:19:41] **Jason Soileau:** you know, on the value engineering side, overwhelming caution our team to Not over value engineer, because we've also got to maintain these things once it's finished being constructed for the next however long. And so we don't want to shoot ourselves in the foot. But it certainly has changed a [00:20:00] mindset of how we engage with our customers.

I am y'all's customer, but the rest of the campus is my customer. And so how we engage with the rest of the campus in terms of, , managing their expectations, so expectation management, and really forcing them to own part of this problem in their decisions.

And so it's very easy for them to show up to design meetings and I want, want, but they need to understand the budget constraints and that we want them to be successful, but there are give and takes and push and pulls and they have to be part of that process.

[00:20:33] **Julie Deignan:** Also seen a mindset shift around list pricing. I think given the volatility we are coming out of, There is more candid conversation around what is the project pipeline look like? And what are the expectations in terms of list price holds? And what are the cost implications of those, we weren't looking at 2 and 3 percent increases.

We were looking at 10, 12, 15 [00:21:00] percent list price increases. And so I think there's just better coordination and collaboration around understanding when those list prices are going to be. Increased on an enterprise level and what the impact is going to be. So putting a ceiling on it, instead of saying our list price is going to increase, let's say it's January 1st.

Now we're asking for a ceiling to be put on that so that we can build that into budgets.

[00:21:27] **Amanda Schneider:** Makes sense. Well, we've been focused on the aftermath of this volatile pricing, which we know has been painful for everyone.

We're trying to help Jason, Maintain his reputation as we're navigating through this and trying to advise our leadership. Let's look ahead and given the discussion that we've had here, can you give me one word to describe what excites you most about the future,. And it could be just relief that we're through. these last few years that we've been through

[00:21:51] **Julie Deignan:** The word that comes to mind for me is scalability. Technology is at a point. Where we are seeing some advancements in the furniture [00:22:00] industry, which has typically been very antiquated, with the dealers, with the manufacturers, with third party consultants, that is beginning to shine a light on how we can continue to scale our business because of the infiltration and improvements when it comes to technology.

[00:22:18] **Amanda Schneider:** good one.

[00:22:19] **Luke Roberts:** The word that I was thinking of before, and then even more so after this was more about just partnership. I think the way these projects are moving forward, I think everyone, yes, still has their role, but the hierarchy seems to be Breaking apart. And I think it's really more about partnership and what does each project need, who we pull in at which phase. And I think ultimately that's going to lead to more successful projects and having those vendors and trades people that you can arm yourself with. and that's where I feel like we're going.

[00:22:46] **Amanda Schneider:** Good one. Jason.

[00:22:48] **Jason Soileau:** Yeah, my word I'll use is resiliency. I think the challenges forced us, to make better decisions that build not just financial resiliency for the institution, but brand [00:23:00] resiliency, just overall resiliency for everything that we do. So I think as painful as it is, looking back, I think it will cause us to be better.

[00:23:09] **Amanda Schneider:** Everyone's coming out stronger. I love that. Well, thank you guys so much this is a phenomenal, interview

[00:23:14] **Amanda Schneider:** Today's episode shed light on a topic that has been a constant thorn in the side of project teams and clients alike, pricing volatility. While we can't solve inflation or reverse the effects of the past few years, we can rethink our approach to pricing, collaboration, and even value engineering. I hope our panelists insights help you navigate these challenging waters with more confidence and clarity.

And also maybe empathy, especially as you think about Jason's point of view. Now if you know someone dealing with these pricing frustrations, I want to personally invite you to share this episode with them and start the conversation on how to manage that cost volatility and where [00:24:00] to go from here. For more on this topic, don't forget to download the full think lab report for deeper insights at info dot think lab dot design backlash end user decision making, which is also linked in the episode landing page.

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