



The Cost Estimating Software Market: What's Next?

Your estimating software vendor has been acquired. Do you know what their strategy is?

The intent of this white paper is not to identify which software vendor is better than the other. Rather, it's intended to bring some clarity to a confused marketplace.

This paper looks at the past, present, and future of the construction cost estimating market. While the software products discussed in this paper focus on the Buildings and Facilities market sectors in the US and Canada, the software products also have a presence in the Energy, Industrial, Infrastructure, and Process market sectors across the world.

When did it really begin?

Starting in 2012, the construction cost estimating software market experienced unprecedented change. A stable, predictable market saw major players and market leaders change hands. While big changes were occurring inside the acquired vendors, change was less visible on the outside. It's natural for the acquiring firm to take the necessary time to digest their purchases. It's also natural for acquiring firms to say one thing and do something else. A couple of years later, the acquiring firms have had time to measure returns and formalize product strategies.

Today and in the foreseeable future, those plans are crystallizing.

Why do software companies sell out?

It's worth discussing why software vendors sell to acquiring firms. Owners of legacy software sell because they don't want to continue making the large capital investment needed to compete in the market. Maybe the business isn't performing well or the existing owners are ready to move on or retire.

In some cases, the acquiring company decides it's better to buy their way into a market vs. trying to grow sales. It's definitely one way to create a captive audience.

Investors in software companies establish a strategic objective and time frame for their investments. If the investment isn't delivering on the desired returns, or the performance milestones are not being met, they grow tired and look for the exit. So they sell, often at pennies on the dollar, as they need to cut their losses and move on.

[Acquisition Strategy: 4 Reasons Tech Companies Get Acquired](#)

[Why Successful Owners Sell Out](#)

Decisions, decisions

When purchasing a legacy software vendor, the acquiring firm is faced with a choice:

- 1) Stop advancing the acquired solution and replace it with an alternate solution, or
- 2) Continue promoting and advancing the acquired solution.

How will you know what direction the acquiring firm is heading? A Google search reveals the history of product announcements and releases since an acquisition. A study of advertising and marketing promotions can reveal whether the legacy products are the focal point of the acquiring firm's marketing campaign. In some cases, the acquiring firms will be forthright about their plans and asking a simple question about their strategy will produce a sincere answer. In other cases, it will be up to the buyer to read between the lines and determine the acquiring firm's true intent.

A look back

Let's review a recent history of the cost estimating software market in North America.

1991-2011:

- Sage acquired Timberline Software in 2003 and rebranded it a few years later to Sage Timberline, with Timberline Estimating becoming Sage Timberline Estimating. Sage rebranded it again to Sage Estimating in 2011. We think Sage's branding strategy was a mistake as the Timberline brand was developed over a 40-year period and had great name recognition. However, the product position and market focus remained the same.
- U.S. Cost and WinEstimator brought their products to market. Sage and MC2 converted their DOS-based solutions to Microsoft Windows.
- Sage Estimating, MC2 ICE, U.S. Cost Success Estimator, and WinEstimator all competed as best-in-class solutions in an escalating features race. In many aspects, the products look more alike than different.



2012-2014:

- RIB acquired MC2 and U.S. Cost.
- Trimble acquired VICO and WinEst.
- Sage continued feature and platform improvements primarily focused on user interface improvements and a migration to Microsoft SQL Server.



Beyond 2014: What's next?

Based on our knowledge at this time, we believe that the future of estimating system dominance in North America will rest with Sage, RIB, and Trimble. We think RIB will retire the MC2 ICE and U.S.

Cost Success Estimator and Enterprise software products. RIB expects the MC2 and Success customers to migrate to the RIB platform and embrace the model-based estimating workflow in RIB's iTWO suite of cost management products. RIB will continue its strategy to develop as much functionality as it can with its large internal development and engineering staff.

Based on market research, guidance from existing VICO and WinEst customers, and Trimble's public messaging, we anticipate that Trimble will retire WinEst and advance VICO. We expect WinEst to remain on the shelf without major advancements (unlike the MC2 and U.S. Cost products). One thing is clear: Trimble has chosen VICO as their future estimating platform. Again, our take is that RIB and Trimble are betting on model-based estimating becoming the primary estimate delivery method for the Buildings and Facilities markets in the future.



We think Sage will maintain a neutral position, supporting integration with all types of upstream and downstream solutions. They will continue their focus on research and development of their core estimating software, with minor advancement of related modules. They will continue to develop application programming interfaces (APIs), partner with market leaders, and expand the community around the Sage core. We see Sage as a solution that supports traditional cost estimating and partners with market leaders to support model-based estimating. We expect Sage will continue to offer choices for both 2D digital takeoff and 5D BIM/VDC quantity extraction.

Note that this kind of turmoil in a mature market creates opportunities for new vendors as well. Don't be surprised if other software firms decide to jump into the US market.

In the end...

The battle for preconstruction supremacy will ultimately be fought between two organizations as evidenced by their market focus, aggressive acquisition activity, and research and development resources:



We believe that Autodesk and Trimble are going to compete in the Architect, Engineering, Construction / Owner (AEC/O) market for the Buildings and Facilities sectors. Each company has developed or purchased competing solutions. Trimble's focus has been on the C of the AEC/O market, with some investments in the A and E. Autodesk dominates the A and is a leader in the E (although the E is highly fractured). Autodesk's publicly-stated future and growth will be in the C, which places them in direct competition with Trimble. *This is the race to watch.*

Options going forward

Purchase decisions will require experience, research, and assessment of the impact to your organization (e.g., staff experience and familiarity, cost of migration to alternatives or staying put, and strength of the partners, subcontractors and supply chain).

Questions you should consider:

- Will your software continue to be a product that is advanced and maintained in the future? If not, how will you protect your investment without being forced to migrate to another solution?
- What was the condition of your software product prior to being acquired? Did the acquiring firm remove its competition from the market? Was it a market leader?
- Prior to the acquisition, was the software vendor profitable and advancing its technology? Or was the software vendor cutting costs through reduced R&D investment, staff cuts, or outsourced support?

How we can help

Eos Group and its professionals have been supporting preconstruction and estimating systems successfully for over 20 years. Like our clients, we are faced with a rapidly changing market. We are actively re-evaluating existing partnerships and forging new ones. Our goals are the same as our clients': find technology partners that have market strength, vision, and a proven track record.

We are seeing the impacts of this recent wave of acquisitions as market-leading AEC/O firms realize it will take months to years to complete their transition to a new enterprise solution. We have helped many clients convert from those legacy systems starting in 2013, soon after the acquisitions began.

We saw an increase in migrations in 2014 and expect that trend to accelerate in 2015-2018 as acquiring firms unveil their intentions.

For your organization, migrating from a legacy system may be in your future, depending on the solution providers and changing market outlined above. It's also a great opportunity to define and refine your business processes, standards, and data quality.

The Eos professional services team can:

Provide migration services, including

- Discovery and needs analysis
- Assessing existing systems, data, and integration
- Aligning features, modules, workflows, and output
- Retiring outdated solutions and components
- Extracting, cleansing, and converting data
- Replacing existing takeoff automation features (Systems, Wizards, Assemblies, and Cost Models)
- Developing custom integration and reports

Make improvements to

- Best practices and standards
- Data quality and organizational code alignment
- Reporting

Advance your system by

- Implementing new work processes, such as BIM and VDC, through model-based estimating
- Leveraging your estimate and cost history for benchmarking and conceptual estimating
- Updating outdated and legacy data that hasn't been touched in years
- Automating your cost estimating processes
- Integrating with up and downstream systems to improve operational efficiency and data exchanges
- Integrating with your existing, custom Microsoft Excel tools and workbooks
- Transferring knowledge through training classes and workshops

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