Estimating & Bidding

Session objectives

By the end of this session you should have an understanding of:

- Marketing Materials
- Identifying Potential Bid Opportunities
- Go, No Go Decision or Bid, No Bid Decision
- Office and Project Overhead Allocation for Unit Bid
- Fee/Profit Considerations for Unit Bid
- Parts of the Unit Cost Estimate

Marketing Materials (examples)

- Business cards
- Flyer with capabilities
- Signs
- “Swag”
  - Magnets
  - Calendars
  - Hats

Marketing Materials (examples)

- Reference book
  - Company history (one page)
  - Testimonial's from previous jobs
  - Relevant product information

- Internet resource for ideas and support:
  - Construction Marketing Association – (www.constructionmarketingassociation.org)

Question?

- Where can you find potential construction projects?

Sources of Leads

- Traditional lead sources
- Social media lead sources
- Internet lead sources

Traditional Lead Sources

- Registering with agencies
  - Local, state, and federal government
  - Private sector
- Existing relationships/previous employers
- Communicating with local trade/industry organizations
- Working with a mentor

More Traditional Lead Sources

- Attending political events
- Attending networking events (some examples):
  - Associated Builders and Contractors Events and Conferences
  - Local chapter of CFMA (Construction Financial Management Association)
- Making sales visits to contractors or owners you want to work with
- Using direct mail or email lists
- Getting on bid lists
- Attending pre-bid meetings

Social Media Lead Sources (examples)

- LinkedIn
- Facebook
- Twitter
- Instagram

Internet Lead Sources (examples)

- Dodge Pipeline (www.construction.com)
- Industrial Information Resources (IIR) – (www.industrialinfo.com)
- CMD Insight (www.cmdgroup.com)
- Blue Book (BidScope) – (www.thebluebook.com)
- iSqFt (www.isqft.com)
- Online Plan Rooms

The Bidding/Estimating Process

- Estimating is building the job on “paper” before you build the job under contract.
  - Have a good plan to build it – Failing to plan is planning to fail.
- Review scope of work and project requirements in the bidding documents to identify all costs (indirect/direct).
- Perform a Quantity Take-off: Quantify the scope of work.
  - Organize take-off by cost type: Labor, Material, Equipment, Subcontractor(s), Indirects (office/project).
  - Use of a form (electronic/paper) along with marked up bid documents is a good practice.

Items to look at prior to bidding (examples)

- Is the Project work you normally do?
- If you do not do portions of the work do you have subcontractors to get quotes from for those portions of the work?
- Do you have time and resources to assemble the estimate?
- Do you have time to see the site and find any hidden issues with the work?
- Do you have time to confirm the quantities in the bid scope?
- Is the schedule for doing the work clear and attainable?
- Do you have the insurance, bonding and funding to do the project in place?

Project location specifics (examples)

- Is the site easily accessible? If not what is the added cost to access the site?
- Are there special requirements on the times the work can be done?
- What type of support items will be needed and allowed on the site?
- Is the project scheduled during a part of a season where adverse weather conditions are likely?
- Is the location in an area that requires workers to have special clearances?

Miscellaneous items to check (examples)

- When and how do you get paid?
- What are the requirements for submitting a partial bill for payment?
- Do you need to have special permits?
- What type of schedules do you need to have and when.
- What are the close out requirements?
- Are there other contractors on site during your work? If so how is that to be coordinated and by whom?

More Misc. items to check (examples)

- Will you need utilities on site? How long and which ones?
- Where will the workers park?
- Are there liquidated or real damages?
- Is the owners schedule realistic?
- What submittals will be needed and how long is approval time and to get the materials once ordered?
- Are there any owner staff that could be a problem during the project duration?

The Go, No Go or Bid, No Bid Decision

- Review scope of work, site, and all relevant “items” prior to proposing Go or No Go.
  - Do I really want to sink time and money bidding this job?
  - No deal is better than a bad deal

…"Bad Deal" Examples & Some Solutions

- One example of a "Bad Deal" is to submit a bid that is less than what the project will "Cost" the company to do.
- Another example of a "Bad Deal" is to win a project and not have access to enough money to cover your payroll.
- Having consistent well documented processes, checklists, manuals, etc… that support the business function of estimating "Cost" accurately is a key in the "Getting Work" process and can help with the first "Bad Deal" mentioned above.
- Using estimating software that either integrates with the company financials or is part of an all encompassing business solution can help with the second "Bad Deal" mentioned above.
- Being efficient and accurate in "Cost" Estimating and then "Tracking/Reporting/Controlling" those costs is a crucial business function for construction contractors.

Items to consider before committing to bidding (Go/No Go)

- Current work load. Do you have more or less work than you need at that time?
- What types of risks (“items”) are you going to have with this project?
- Do you have the staff and equipment for the project?
- Do you have the bonding, insurance and funding to do the project?
- Do you have an edge on the project?
- How many bidders are there?

Office Overhead

- Overhead are the costs not part of the actual work (put in place). Some of the items include:
  - Rent or depreciation on office space
  - Utilities for the space
  - Non-project charged staff
  - Expected cost to pay project staff between projects
  - Supplies and furniture
  - Automobile costs
  - Repair of items for the office
  - Basically any costs not directly charged to the job

How to Apply Office Overhead

- Total all the items of your office overhead
- The hard part is finding the percentage to add to each project (trial and error based on market)
- Determined by coming up with your projection of the new years work load (anticipated revenue). *Its an educated guess*.

- Let’s review an example.

Project Overhead

- Project overhead is the overhead required to run the project. It is not a direct cost required for each item of work.
- Items can include:
  - Superintendent
  - Trailer
  - Utilities
  - Equipment not limited to one line item
  - Schedules
  - Misc. other items

How is the Project Overhead Applied?

- It is applied as a percentage of the whole bid to EACH line item

- Let’s review an Excel spreadsheet for this.

Profit

- Profit is payment for risk and return on investment.
- How do you decide what profit should be?
  - Low range: 10%-15%; High range: 25%-30%
  - Consider each item below and then assign a profit % for each. Then sum all % up and divide the total % by 4 for an average profit to apply to cost estimate
- Here are some items to consider:
  - Need: How badly do you need the job?
  - Risk: The more risky the job, the greater the profit you should seek.
  - Size: Size in relationship to what you are accustomed to doing and the size of the jobs upon which you have based your strategy. For example best size project is 30K and a job for 50K is out for bid. Go lower on profit and if a job for 8K is out for bid go higher on profit.
  - Marketplace: What will the market bear? Also how many people are bidding the job? More=Less and Less=More.
- Example: Need: 10%; Risk: 30%; Size: 15%; Marketplace: 25%; Sum = 80%; Avg. Profit = 80%/4 = 20%

Unit Cost Estimate (example)

- Let's look at the parts of the unit cost estimate:
  - The cost of materials per unit
  - The cost of labor per unit
  - The cost of the equipment per unit
  - The cost of subcontractors per unit
  - The percentage of general conditions and profit per unit cost
  - The percentage project general conditions per unit cost
  - The bonds and insurance per unit cost

- Let's look at an Excel spreadsheet with everything loaded