

Surviving a Competitive Bid

by Dennis Dixon

Most builders find competitive bidding frustrating and unfair — a potential waste of time and resources. By contrast, consumers see it as fair and reasonable, something contractors in a tough market should offer without question.

I'm not saying I never bid, but I'm careful about which jobs I bid on. One problem with bidding is that there's no basic set of rules for all parties to follow. So I created my own set of requirements that the client and the project have to meet. This doesn't guarantee that my bid will be accepted — but if it is, the job is more likely to start off on the right foot.

Know When Not to Bid

If you're playing the bidding game, give yourself a fighting chance to win. The work that goes into assembling a thorough bid is substantial, so you need to evaluate your chances of being awarded the contract before investing all those hours.

First, I don't bid on jobs when there are more than two other bidders; in my experience, these jobs almost always turn out to be difficult. If the clients are evasive about how many bids they're getting (which they usually are), I'll press the question. If they still seem unwilling to share this information, I'll pass.

I also ask for full disclosure — from both the client and the architect — about the home's history of ownership, what remodels and repairs have been done in the past, and whether there are unusual conditions like foundation settling or high groundwater. In addition, I want to

hear about any relevant dealings with the homeowners association.

If we make it to this point, I always ask two further questions: "What is your top priority for this project?" and "What are your expectations regarding quality, budget, and schedule?" The answers generate discussions that help me decide if the job is a good fit.

I won't bid on projects outside my experience and expertise. The fact that you're a great kitchen remodeler doesn't mean you can profitably build a two-million-dollar custom home. Professional growth should be taken in manageable steps — and going from kitchen and bath jobs to an expensive new-build is too big a leap.

You should also get some background information on the clients whenever possible. Call the architect and anyone else you know who might have worked with them to find out how past jobs went.

Insist on Complete Documentation

This is the most important requirement. You need finished plans to generate a realistic price, schedule, and contract. Incomplete plans and specs are one of the biggest sources of problems and disputes; if the plans aren't finished, I'll pass on the job or postpone bidding until they are.

Of course, plans and specs are almost never 100 percent complete or correct. Mistakes, omissions, and code violations are typical, as are boilerplate details that have no relation to the project. That's because completing the plans requires homework, decision-making, and commitment, things many people have problems with.

I've seen plans with 20 allowances — a sure sign that the clients are unable to make decisions. Something as simple as "We want a flat-screen TV, but aren't sure which one" can cause big delays if you have to frame a precise wall opening for it. Insisting on finished documents tells the clients you expect them to be committed to their choices before the project starts. Allowing them to postpone those decisions will only complicate things later.

Unfinished plans can also create an uneven playing field between bidders, as each bidder may make different assumptions about what's called for.

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Offer to Help

One tactic that has worked for me is to offer to complete the plans and specs for the customers. Years ago, I coined the term “professional services agreement,” or PSA, for this arrangement.

The process is fairly simple. After our first or second meeting, I write a memorandum outlining the information I need in order to finalize the bid. I organize the memo into alphabetical categories: appliances, bath fixtures, and so on. I end it with a request for a two-hour interview. Later, after the interview, I’ll spec everything from the dishwasher to the door hardware, then get back to the clients with a list to approve.

It’s important to get paid for this service. I’m more than willing to help, but I need the PSA and a retainer payment for

my time and professional expertise. If the clients choose me to build the project, I apply the retainer to the job.

The tactic has been helpful in filtering out problem customers. When I suggest it, some customers can’t get away fast enough, while others love the idea. Generally, the people who have built or remodeled before understand the need for complete plans to reduce conflict during the project, and will either take me up on the offer or finish the work themselves.

Don't Rush the Bid

Sometimes clients will drop off a set of plans on Tuesday and expect a price by Friday. Don’t cave in to this pressure. I make sure clients understand that it will take about 40 hours over a two- to three-

week period to put together an accurate cost estimate for a new custom home, while a \$100,000 kitchen remodel will probably require about 15 hours. And that’s only after the plans and specs are complete.

Be Careful With Subcontractor Prices

Remember that some subs will always bid low to secure the job. If I’m getting quotes from 30 subs and suppliers, I might find that as many as five of them do this. The problem is that when low bidders get the job and discover their pricing is inadequate, they tend to cut corners.

You have to be smart enough to know when a quoted price is too high or too low — which means carefully studying the plans. If one of my drywall subs gives

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a price that sounds suspiciously low, I'll grill him — by asking him, for example, how many sheets he's estimating the job will take. If he doesn't have a ready answer, I know he probably hasn't looked at the plans closely enough.

Set a Response Deadline and a Firm Start Date

When I submit a bid, I usually specify that it's only good for five days, though sometimes I will stretch that as far as 10 days. If the customers don't respond by the stated deadline, the bid document gives me the right to adjust material and other prices.

The bid should also specify the project start date. Say it's November and you've submitted a bid for a March 15 job start. If the clients accept the proposal but then decide they want to start on January 15, you'll have to adjust your schedule and accommodate winter working conditions. You may need to refigure and resubmit the bid, or include contract wording that compensates you for the altered project costs and conditions.

Be Honest and Put It in Writing

I give potential clients both good news and bad news, and I share uncomfortable opinions with them when necessary. If the architect tells me the clients cancel appointments at the last minute, I don't hesitate to ask them about it. I usually call first and then follow up with a written letter reaffirming my concerns.

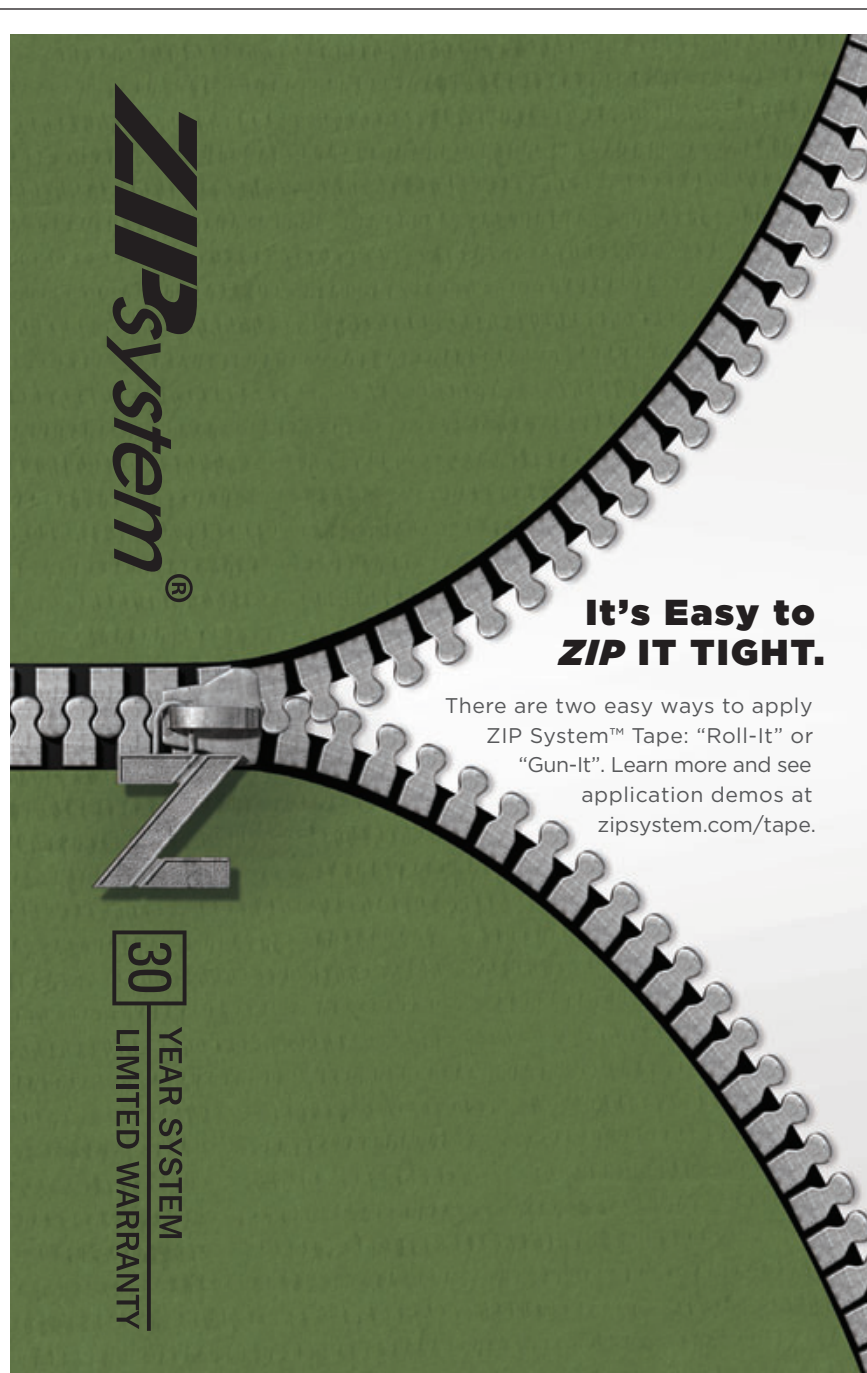
A lot of builders are afraid to be completely honest because they're afraid they'll lose work. But in fact, this kind of honesty improves your business because it forces you to do a better job of communicating with clients. It also breeds trust — at least with the kind of clients you want to work for.

Sometimes there's a more immediate payoff. I once bowed out of a bid, informing the clients — a husband and wife — in

a letter that I'd taken a look at the project but wasn't interested in pursuing it because I wasn't getting the answers I needed from them. The letter was a wake-up call; the clients called me a week later and admitted they hadn't been commu-

nicating clearly with one another. I ended up getting the job.

Dennis Dixon is a licensed general contractor in Flagstaff, Ariz., and a frequent contributor to JLC.



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