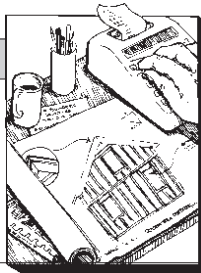


Bidding, Part III: The Envelope, Please!

by Sal Alfano



The end is in sight. The addenda have been issued, the site visit made, the specs and plans studied with such concentration that you can build the thing in your sleep. The subs have had their plans for almost two weeks now, and your quantity take-off and labor figures are almost done. Now the fun begins.

The things you do or fail to do from here on out can make or break your bid, so be careful. First, close out the bid well in advance of the time it is due, usually the end of the day before. This doesn't mean you won't be accepting any more prices, but simply that you ought to organize the information you already have. For this you need a summary sheet. List all of your worksheets, page by page, and the totals from each. Totalling each page is safer than carrying subtotals through to the end. Headings for the page should read "Description," "Amount," "Revised Amount," and "Bid Amount."

First fill in the column labelled "Description." Then fill in the column labelled "Amount" *whether you have a hard price for it or not*. This allows you to play around with your markups—overhead, profit—before you actually have all your hard prices. Of course, you have to devise some system for indicating which prices are hard and which may still be revised.

Where your price is still soft—with subs, for example—put a reasonable guess in the "Amount" column; you can revise it later. Total it up and then use this figure to calculate your overhead and profit. If your intuition tells you the preliminary total is too high to win the bid, now is the time to start looking for places to cut the price, remembering, of course, that some of your soft prices may change everything.

Where should you cut prices? There's no hard and fast rule that applies to everyone. You might start with material items that require minimal amounts of labor and with which you have a good track record for smooth sailing. Your normal markup on windows, for example, can add up to quite a good chunk of change. If you've had few problems with windows—your supplier has delivered on time, all the screens were intact, all the cranks were accounted for, and nobody dropped anything—then you might reduce your markup for these items. An exceptionally reliable subcontractor with whom you've worked before and whose products and installations are trouble-free offers the same opportunity to cut your price. Look over your entire checklist for items that are most likely to go without a hitch, and make your cuts there.

Then find somebody to check your math while you begin filling out the bid form. Complete as much of the form as you can and store it where you can easily find it the next day. This is also the time to review the plans to see if you missed anything.

If there are any alternates, total up

each one and check for errors and omissions. Alternates are a critical part of your bid. You may be the low bidder when looking only at base prices, but if your alternates are high, you could still lose it. And don't forget that the alternates may become a part of the contract, so consider

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their prices carefully before putting them on the bid form.

Before you call it a night, organize your materials for the next morning when things will get hectic. Make a list of any phone calls you will have to make to firm up prices. The list of subs you compiled last week now moves to the top of the pile because tomorrow they're all going to call you and you'd better be ready.

When the subs finally phone in their prices, be sure you know what each quote includes and what is left out. Ask the same question of everyone, and take notes on their answers. The best price is not always the best value.

Strange things can happen with phone bids. I once took a quote from an unfamiliar electrician for \$25,000 on work my regular guy had quoted at \$50,000. What to do, what to do? I asked the caller everything I could think of and was still not satisfied that he hadn't left out the entire second floor, so I went with the \$50,000 price and lost the bid by \$22,000. Turns out the phone bidder had ignored the specification for conduit. What's worse, the client gave him the job without letting everybody else adjust their price. These things will happen. You just have to make your best judgement and go with it.

One final thing about the subcontractors' quotes. Sometimes you'll get a "split quote," where a single sub will give two prices, one if he does the whole job, and another for each of the individual parts. This is not uncommon for things like large heating or air-handling systems. Your lowest price might be some combination of quotes from three or four bidders for separate parts of the job, but this isn't always the best route. Do you really want to deal with three or four subs on work that one could do, even if it is at a slightly higher cost?

The Opening.

Delivering a bid can be a problem if it involves travel time. Often you won't get all of your quotes until an hour before the bids are due to be opened, and if the architect's office is forty-five minutes away, that's cutting it close. One solution is to send somebody ahead with the bid form in an unsealed envelope, and with all of the important numbers left out. You stay at the office to take phone calls, and when you've made your choices, call your accomplice at the other end. Another possibility is to stop on the way to the bid opening to make a few last minute calls. In either case, don't fill in the prices until the last moment.

The reason for this is simple: bidding is the other thing—in addition to love and war—in which all's fair. Almost anything can happen. For example, you call your local lumber yard to double check the price of a one-of-a-kind item the architect has specified. In the course of the conversation, you discover that no one else has inquired about this particular item. You've just found out that there's a good possibility you're the only bidder. You might want to make a last minute price change.

There's always the double-envelope trick. One contains a high bid, one contains a lower bid that will still make you money. After you get to the opening, you look around and check out the competition. If there are no other bidders, you drop the high bid in the basket; if there are, you drop the low bid.

Gambits like this can be effective but are risky. Maybe the other bidders are late and the owner will waive the bid time. Maybe they're playing the same game, lurking in the hall, just waiting for you to drop that envelope. Who knows?

Finally, stay for the opening if you can, and record the other bidders' prices as the envelopes are opened. The information may come in handy in future contests against the same companies. Another reason to stay is to make yourself available to answer questions or maybe ask a few of your own. Your presence *may* give you an opportunity to affect the outcome.

For example, the bids may be so close that the owner will, in effect, be able to take his pick. Some owners think they have to take the lowest bid, no matter what, and that the bidding is over once the envelopes are opened. In many cases, neither is true. You might point out that price isn't everything, and suggest that the owner consider the construction schedule, your strong administrative abilities, your track record or something else that you think will give you an advantage. If the bids are far apart, you may put a bug in the architect's ear about checking to see who followed the specs and who didn't.

But it's worth staying just to find out who won. You've put in all that work, why leave at the finale?

Even if you lose the bid, it's a disappointment, but never a complete waste. There's always next time. You've learned something about your business and your competitors that you can hopefully use to your advantage. There's always next time. ■

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