

Moving to Technology-Based Estimating May Lower Costs and Produce Better Bids



By James Benham
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Current Industry Overview

According to recent construction figures released by the Department of Commerce at the beginning of June, **construction spending actually rose**. In fact, a recent article in the *Associated*

Press noted that “The unexpected gain marked the second straight month that builders boosted spending on construction projects around the country.”

While this is a sign of a turn-around for the industry, there are still a few bumps in the road. The same article went on to address government spending, which actually took a 0.6 percent dip in April, reflecting spending cuts on schools, hospitals and other health-care buildings, as well as sewer and water-supply projects.

In challenging market conditions like the ones in which estimators are currently operating, winning competitors need to “create their own luck” by creating efficiencies that not only cut costs, but also optimize complex processes, as well.

Adapting: Becoming Lean, Doing More with The Same or Less

In the construction industry, the estimation process is labor intensive, time intensive, and data-driven. Estimators today are experiencing an extremely challenging economic environment. Estimating staffs are being reduced and general contractors are having to produce more estimates than ever before to win the same amount of work they had in the past. Negotiated work has become ever more scarce, and owners are starting to “hard bid” much larger parts of their work to get better pricing.

Complicating matters further, bonding companies are requiring general contractors to do far more due diligence than they used to. In some parts of the U.S., companies are requiring all subcontractors to be pre-qualified, which is a very time-consuming process.

By moving to an entirely online, digital communication and plan delivery process, general contractors (and subcontractors) can save enormous amounts of time (often 40%-50%)

previously spent manually processing paperwork, printing and mailing out invitations and plans. Needless to say, cost savings are also significant, particularly since a general contractor may have 15,000 to 50,000 subcontractors at any given time.

Just the decreased printing and shipping costs associated with plan files can provide general contractors with *significant* savings in terms of both money and man hours. In fact, there are general contractors who, by moving their estimation operations online, are already realizing cost savings of tens, and in some cases hundreds, of thousands of dollars annually by doing so.

Tools and Technologies: The Digital Revolution

There are several tools available to estimators working with fewer physical resources. Subcontractor pre-qualification software helps general contractors pre-qualify large portions of their sub database much more rapidly. Invitation to Bid software facilitates much faster communication on projects. Plan distribution software removes or reduces printing during the estimation of construction projects. Digital, computer-based take-off software allows subs to estimate a job without ever printing a plan.

One construction company in Phoenix that has been realizing significant operating and cost efficiencies using digital software is Martin Harris Construction. Martin Harris is a leading general contractor specializing in office, office flex, industrial, health-care, retail, restaurant, hospitality, vertical residential, recreation, special use, education, and federal work.

“As a general contractor, we are always looking for ways to make everyday tasks more efficient,” said Tara Miller, Project Administrator/B.D. Assistant at Martin Harris. “With online bidding software, we’ve noticed efficiencies with the time we’re saving making CD’s (compact discs), sending out the invites and addenda, and giving subcontractors our FTP site information. It used to take about two hours to pick scopes and get out the invitations to bid out. Now it takes us about 30 minutes.”

Many developers and owners are moving from negotiated work to hard bids—and the pressure on general contractors to produce more estimates has never been greater. This pressure is compounded by the fact that many construction companies now have to produce more of these estimates without having the luxury of immediately adding professional staff.

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“The public directories that are available through online bidding software number have increased the number of subcontractors we’re able to reach out to. These directories are helpful because Martin Harris has been bidding projects in Texas, Utah, California, and New Mexico and we don’t have many subcontractors that bid projects in those states,” explains Miller. “We are able to put in a zip code of a project and find subcontractors in each state for any scope of work. We don’t need to search through phone books or other means in order to get subcontractor coverage on a project we are bidding.”

She continued, “Martin Harris tries to be ‘green’ in all ways we can and bidding online helps contribute to that focus. Not only can subcontractors download plans onto their computer and do onscreen takeoffs, but they can also submit their bid through the program which saves a ton of paper.”

The Subcontractor Factor

As online bid response technologies evolve and improve, these technologies are greatly improving the communications between general contractors and their subcontractor networks.

Prior generations of such technologies required subcontractors to purchase expensive software packages or lead services. However, the current generation of the best online technologies makes it simple for subcontractors to work with general contractors -- often at no cost to them (general contractors are the subscribers to the online platforms).

And so, since subcontractors are no longer charged in many cases for using these platforms, and since the best-in-class online services no longer subject subcontractors to unwanted advertisements and solicitations, the result is an increase in participation by subcontractors in responding to bids. This provides general contractors with more and higher quality data, and, therefore, a better chance at winning the projects for which they are bidding.

Value of Moving Online: The Proof Is in The Performance

General contractors who have moved their estimating operations online are at a distinct competitive advantage in today's tight market. And with general contractors across the nation expecting a marked decrease in new projects, the benefits of such competitive advantages become clear.

By bringing the estimating process online, general contractors greatly improve their chances of producing winning bids and spending less.

Producing winning bids, especially in a contracting market, is the sole metric of success and survival for today's general contractors.

James Benham is the President of SmartBidNet. For more information visit www.smartbidnet.com.



TEST YOUR KNOWLEDGE

- Calculate the cost per square foot (to the nearest cent) of material applied 1.5” thick if the material weighs 68 lbs. per cubic foot and cost \$283.00 per ton.
- Calculate the lineal foot cost (to the nearest cent) of material that has a weight of 1.502 lbs per lineal foot, using a waste factor of 15% and cost of \$512.50 per ton.
- If a conflict in bid documents is discovered during bid stage, the estimator should:
 - Notify the architect immediately
 - Wait until the contract is signed before “discovering” the conflict.
 - Wait until the affected work is to be performed before “discovering” it.
 - All of the Above
 - None of the Above
- Errors in bid preparation which may be acceptable by an owner or his agent for bid withdrawal without penalty include errors in:
 - Addition
 - Line item expansion (multiplication)
 - Line item omission
 - All of the Above
 - None of the Above
- Which of the following types of insurance are normally carried by the project owner during construction of the project?
 - Workmen’s Compensation and Fire Insurance
 - Fire and Theft Insurance
 - Theft and Workmen’s Compensation Insurance

(Answers on Page 6)