

Need Help Estimating

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We need help with our estimating. It takes too long to estimate. And the field blames sales for underbidding. Any suggestions would be welcome!

Good estimating systems and the right customer can mean the difference between making and losing money. Ask these questions to get started.

- Is there an estimating process; standard steps, supported by forms?
- Do I trust the estimating system to accurately calculate and predict total cost including profit?
- What happens to estimates once they get turned over to the crews?
- Are my people going after the right clients?

Walk through the flow of estimating, from information gathering, to calculation, negotiation, award, doing the work and review of estimate versus actual. Insure that every person understands and follows the same process. Decide who reviews estimates before they go out to the customer or prospect.

Develop an estimating process check sheet. List all of the variables encountered on jobs. Include space to write in site conditions, transportation needs and special client requests. Every time something is left off an estimate, add it to the estimate check sheet for next time.

Build a labor and material input sheet, including standard items used on jobs. Distinguish between subcontractor labor and your own field labor. Have room to specify quantity, and, if appropriate, grade or quality.

Either build or buy an estimating system to do the calculations. Don't rely on hand methods, only to find out later you're losing money because of a math error. Conversely, don't blindly trust an estimating software system. If something seems off, check it out carefully.

Use the field input sheet to enter costs into the estimate system. Set up a discipline so that as soon as the data is gathered in the field, it goes into the estimating system. Working with field data while it's still fresh in the estimator's mind will cut down on forgotten items and mistakes and save time in the long run.

If you can afford it, give your estimators laptops and have them fill in check sheets while out in the field. Have the check sheets upload to the estimating system. This will cut down on transcription errors and save time back in the office.

In the costing phase, pay attention to volume and volatility. Assign someone in accounting to regularly check prices. They see all the bills coming in and often have the best up-to-the minute sense of what things cost. Frequently negotiate higher quantity items and those that tend to be more volatile in price.

Set a standard for profit. Develop a method to charge off overhead to each job. Make sure each estimate appropriately covers both. Assign someone senior the job of approving every estimate before it goes out.

Make it a policy to present every estimate in person. Think twice about participating if your estimate is simply a price comparison. It's hard to make money being the low bidder, especially if you don't have a relationship with the client.

Decide on negotiating strategy before the bid is delivered. Understand what costs can be played with. Have some cost savings recommendations lined up to share with the prospect.

If you've never worked with this prospect before, decide ahead of time how much you want to do business with them. Base your decision on potential for present profit and future work. If you think you need to go low in order to get in, make sure the prospect has a track record of paying for value delivered and of building long term relationships with vendors like your company.

It's tempting to say that a job is worth taking just to keep people in the field working. However, if the customer won't pay for the company to make a profit and cover a portion of overhead costs, and if you can't reduce production costs enough to ensure a profit, avoid the job altogether. You're only delaying the inevitable, running the business into the ground.

Review every job once it's completed. Did it come in on budget? If not, why not? Don't tolerate finger pointing between sales/estimating and people in the field. If you have a problem, require a sit-down before each job starts, to hand off the job from sales to operations. Any problems in pricing get flushed out then and there. Once operations accepts the job, it's their's to deliver, unless they ask sales to go back and get approvals for change orders during the job.

Look at profitable customers and jobs. Define characteristics they have in common. If you're like many companies, repeat clients are the most profitable, but not all repeat clients are equally profitable. Figure out which kinds of clients value your company's work most. Target similar companies.

Looking for a good book? Try "Dewalt Construction Estimating Professional Reference" by Adam Ding.

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