

Construction Bidding: The Ultimate Guide To Securing More Jobs

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While each phase of a construction project carries the weight of its own importance, the construction bidding process may be one of the most critical steps for general contractors and subcontractors. Learning how to master the construction bidding process can make all the difference between securing new business or losing out to the competition.

Unfortunately, due to the highly competitive nature of construction bidding, most contractors will lose more than they win. Contractors generally track their wins and losses through a simple formula known as bid-hit ratio. A bid-hit ratio outlines the number of projects won by a contractor after bidding on them. For example, if your bid-hit ratio is 5:1, you win one out of every five bids. While each sector has different benchmarks for what is considered a good bid-hit ratio, contractors should aspire to have a bid-hit ratio of 4:1 for private projects and 10:1 for public projects.

Even though improving your bid-hit ratio is challenging, it can be accomplished by understanding the intricacies of the construction bidding process, adhering to industry best practices, and learning how to avoid making fundamental mistakes that can ultimately be the demise of your bid.

Keep reading as we explore how the construction bidding process differs from the estimation process, the different types of construction bids, and walk you through the step-by-step process of submitting a construction bid. We'll also discuss how construction estimating software can help streamline the overall process to secure more wins.



What is Construction Bidding?

Construction bidding is a process that involves submitting a proposal to either a prospective client or project owner to complete a job within a specific set of terms. Subcontractors also follow this process when pitching their services to the general contractor. At its core, project bidding is where contractors outline a project with a specified price and completion date.

With that said, there is much more to the construction bidding process nowadays than reviewing project plans, developing takeoffs, and submitting the lowest bid. Due to the highly competitive nature, contractors need to find a way to stand out from the competition. The easiest way to do that is to view the bidding process and the estimation process as two separate things. While estimating is a part of the bidding process,

it's not the entire pitch. Contractors will need to develop a comprehensive bid, not just provide an estimate.

Bidding vs. Estimating

Depending on the firm's size, construction estimating and bidding are handled by one person or delegated to multiple people. While it may be harder for smaller firms to separate the two tasks, they should be treated as two separate deliverables because estimating and bidding are different processes that each require a specific skill set.

A construction bid involves developing and supplying a proposal to a client to create or manage the project. Construction estimating is more of forecasting the expenses needed to build the structure. While the processes seem similar, there are glaring differences when you get down to them. One is specific to determining the final price, while the other determines all internal costs associated with the project.

Developing a winning bid requires a unique skill set for each process. The person in charge of the bidding process should have a strategic mindset, while the estimator will need to think more in terms of delegating and managerial skill set.

Yes, accurate estimating is crucial for producing a successful bid, but separating those two tasks may help improve your bid-hit ratio.

What Are The Different Types of Construction Bids?

To fully understand the bidding process, you'll need to understand the different types of construction bids. When a property owner is open to receiving bids for a project, they'll choose one of the following tendering options:

- » Open tendering
- » Negotiated tendering
- » Selective tendering
- » Serial tendering

Let's delve into each option to see what they mean during the bidding process.

OPEN TENDERING

Open tendering refers to a bid where anyone is permitted to submit a bid on the project. This tendering option is predominantly used on government projects and is generally used to generate competition for the job, ultimately bringing the price down for the owner.

NEGOTIATED TENDERING

Negotiated tendering refers to the property owner identifying a particular contractor to perform the job, and they'll negotiate a contract with them. This approach is generally used during specialized projects. However, this method is not as common as it can be viewed as anti-competitive in certain instances.

SELECTIVE TENDERING

While open and negotiated tendering are opposite sides of the spectrum, selective tendering is the middle ground between them. This approach refers to the property owner inviting several contractors to submit bids on their project. This option is generally offered to balance competition and quickness in the selection process.

SERIAL TENDERING

Serial tendering is generally used when the property owner requests bids for a series of similar projects during a specified time period. For example, a housing developer may need hundreds of residential homes built over two years. This option helps make the selection process easier by removing the need for soliciting bids on similar projects.

How to Bid On Construction Jobs: Five Steps of The Bidding Process

The construction bidding process involves five crucial steps – bid solicitation, bid submission, bid selection, contract formation, and project delivery. We've broken down each step to help you understand what is required throughout each part of the process.

1. BID SOLICITATION

The initial phase of the bidding process is known as the bid solicitation stage. During this time, owners will send a Request

for Proposal (RFP), Invitation for Bid (IFB), Request for Quote (RFQ), or Request to Tender (RTT) to a particular group of contractors.

The information contained in the document may vary depending on the type of request. Still, the owner will generally identify the project specifications and plans, requirements, contract type, delivery method, and any recommendations.

If the project is open for public bids, this phase may be an open invite to any contractors who are currently registered to work on government projects. On the other hand, if the project is private, bids may be available or sent to specific groups of contractors. There may even be certain instances where the owner or representing entity posts the job on bid management platforms.

The invitation or solicitation will generally ask contractors to show their qualifications and past projects to help the owner identify the perfect candidate for the job. If you meet the requirements and are interested in taking on the project, you are asked to submit a bid.

2. BID SUBMISSION

At this time, the general contractor will solicit bids from subcontractors to perform specialized parts of the project. During the bid submission process, contractors who were invited and are interested in the project are required to submit documents regarding the project timeline, takeoffs, overall costs, information about their business, etc. All the general contractor and subcontractor information will be submitted within one bid.

To produce an accurate estimate, contractors should factor the following items into their project costs:

- » Labor
- » Materials/Equipment
- » Overhead
- » Profit margin

After reviewing the project specifications, material takeoffs and determining the overhead and profit margin, you should generate a competitive bid. A competitive bid can fluctuate depending on the owner and overall project requirements, but it should show you'll produce the best quality and a fair price.

It's important to remember that bids should be as organized and easy-to-follow as possible. Like a resume, the bid sheet is the first impression that will hopefully lead you into the bid selection process.

3. BID SELECTION

The bid selection process is usually straightforward, where the owner chooses the bid with the most competitive price. However, that is only sometimes the case. For example, some public projects may have a stipulation where the lowest bid wins no matter what. On the other hand, private project owners may also consider contractor experience, scheduling philosophy and safety records in addition to the price.

If an owner solicits bids for multiple contractors, they may implement a scoring system or utilize other prequalification gauges to determine the best candidate for the job.

4. CONTRACT FORMATION

Once the owner has the winning bid, they'll work with the contractor to formulate a construction contract. Although the contract type has already been determined, contractors may have the opportunity to negotiate specific terms and the final pricing structure.

5. PROJECT DELIVERY

The project delivery aspect is not officially a part of the bidding process. However, it plays a significant role in the overall process of bidding. The owner will establish the project delivery method before the bidding starts.

Some of the most common delivery methods include:

- » **Construction manager at risk:** This refers to the maximum price in the contract. The construction manager must negotiate carefully with the owner to ensure the project's profitability.
- » **Design-bid-build:** Solicits bids from general contractors based on takeoffs from an outside firm.
- » **Design-build:** One firm handles the design and construction. Bids are only received from the subcontractors to help with specific parts of the job.

Construction Bidding Software: The Top Features to Inform Buying Decisions

Construction bidding software, often known as construction estimating software, is a time-saving tool that helps streamline the often-complex process of producing project cost and schedule estimates with high accuracy while ensuring no detail is overlooked.

While various bidding software options are available in the market, you should look for one with features and capabilities tailored to your specific needs. If you're considering investing in such technology, here are some features to look for that may help you make the best buying decision for your company and the projects you take on.

DATABASES TO STORE HISTORICAL AND INDUSTRY DATA

These features allow users to leverage the goldmine of past project data, which you can use when logging per-unit costs, timelines, and work hours.

In the absence of preliminary numbers for craftspeople, accessing current industry costs, suppliers, and materials can help fill the gap.

INTEGRATION WITH OTHER SOFTWARE

Much of your construction data is found in programs like traditional computer spreadsheets. Importing and exporting information with these programs saves valuable time re-entering data so you can produce bids more quickly. If you use other software that you intend to share data with, ensure they are compatible with your chosen construction bidding software, so nothing gets lost in transition.

REPORTING

Do your clients like regular updates? Do you send progress reports on labor and materials costs more broadly? This is a must-have feature to help streamline production and distribution reports to those who need it. You'll be able to create more visually digestible information for quick analysis and data-driven decision-making.

TAKEOFF DATABASE OR LIBRARY

This will allow you to upload digital blueprints to pull data to

calculate labor and materials needed to complete a project and their associated costs. Once you save the resulting takeoffs into a database or library within your construction bidding software, they become an indispensable reference for future bids.

Based on what is requested in the bid package, refer to the library as a rich source to pull quantities and costs of materials. Importing these historical data sets can yield a highly informed bid without reinventing the wheel each time.

WHAT-IF SCENARIO CAPABILITIES

Just as details can change during a build, they can also change during the bid process. That's because contractors may come back with modifications in scope that will require re-examining costs and timelines. Running what-if analyses provides a way to compare the effects of these changes easily and quickly.

So, for example, you can show what happens when you swap out materials, account for unexpected risks like supply chain disruption, or want to proactively present options for the client to consider when submitting your bid.

WORKFLOW MANAGEMENT

Assembling a bid is a team effort and requires careful coordination of the process, mainly if one person's input is dependent on another entering theirs. With multiple people contributing to the construction bid, you might look for a solution with task alert and checkoff capabilities to keep the bid development process moving along smoothly and reduce bottlenecks that can slow down the workflow. Workflow management adds accountability to the process. This can make a big difference when submitting a proposal for large-scale projects.

TIMELY SUPPORT

Construction doesn't adhere to a 9-5 schedule, so neither should your software providers. Support, whether self-service or full-service when you need it, can come in handy if you run into any software questions or interface hiccups.

Do you have projects that run late into the evening, overnight or on weekends? Then 24/7 customer service support by phone or a live online chat will be invaluable if and when you most need them. Do you anticipate a higher learning curve for staff or craftspeople who may have been using computer-

based spreadsheet programs exclusively? Remote or in-person training can most benefit those for whom the technology is new, especially if the software may seem a bit puzzling initially.

If most everyone is generally familiar with construction bidding software, then on-demand tutorials or webinars for self-paced learning or a content refresher could be what you need.

FREQUENTLY ASKED QUESTIONS

Here are the answers to some frequently asked questions regarding the construction bidding process.

WHAT IS THE BID PROCESS IN CONSTRUCTION?

The construction bidding process involves five crucial steps—bid solicitation, bid submission, bid selection, contract formation, and project delivery. Each process requires careful planning to improve your chances of success.

WHAT SHOULD A CONSTRUCTION BID INCLUDE?

Successful construction bids generally contain the total cost of building the structure, including expenses for subcontractors, general contractors' costs, overhead profit and scope of work. Other general information includes company information, date, project name, etc.

HOW DO YOU ESTIMATE A CONSTRUCTION BID?


To ensure an accurate estimate on a construction bid, make sure to factor in the following costs:

- » **Direct costs:** Expenses associated with construction duties such as materials, labor, and equipment.
- » **Indirect costs:** Costs not associated with construction activities including utilities, quality control, administration, permits, security, legal fees, etc.
- » **Labor hours:** Expenses associated with the actual construction of the project. The wages or rate paid to the team estimated cost for each task and potential overtime.
- » **Subcontractor expenses:** Estimated expenses for duties that go out to subcontractors including labor, materials, and equipment.

WHAT ARE THE FIVE STEPS IN THE PROCESS OF BIDDING?

The five essential steps of the bidding process include:

- » Bid solicitation
- » Bid submission
- » Bid selection
- » Contract formation
- » Project delivery

The nature of construction bidding is such that you'll lose more times than you win. However, the goal is to continuously improve your bid-hit ratio to ensure your wins occur more frequently. Understanding the types of bids and the ins and outs of the bidding process can help you reach your goal faster. If you're looking to speed up your process, consider using a construction bidding software. 



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