

Avoid the Perils of the Low-Bid Gambit

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You've no doubt heard the phrase, "If you don't have time to do it right the first time, how will you have time to do it over?" When it comes to commercial construction bids, clients usually look for two key things: the best value and the best price. But these two priorities aren't mutually exclusive by any means. When clients rely too heavily on the best price, they're taking a risk. It's known as the peril of the low-bid gambit. It's quite easy to be pennywise and pound-foolish at the same time.

Most commercial construction contractors pride themselves on the ability to put together a detailed bid by the deadline determined by the owner. In a perfect world, contractors always want to offer an accurate assessment of what it will take to get the job done right. Contractors are under a lot of pressure to deliver quality output on projects. And the output and phases of completion must be delivered on time, in accordance with the project's approved timeline. Typically, clients will go with the lowest bid most of the time. But again, this strategy isn't without risk. Below are a few things to consider before accepting the lowest bid on the next RFP for project work.

Prequalify Bidders

Do project managers in charge of managing a commercial construction RFP prequalify their bidders? Prequalification standards spell out clauses limiting time, material, and



especially the financial stability of subcontractors. It's good practice to request financial statements and WIP reports, which verify solvency and whether subcontractors are properly bonded. A thorough review could save contractors a lot of headaches down the road. And when it comes to labor, contractors should break it down in further detail. If they're able to determine the number of skilled laborers by level of experience - and pay rate - it's much more likely they'll end up with a subcontractor that can deliver what they're promising.

Be Proactive and Realistic


If the last couple of years have taught us anything, it's that you can expect the unexpected. Because the new normal has

now settled firmly in the latter column. Thanks to the scarcity of skilled laborers in the commercial construction industry, not to mention the dreaded supply-chain woes, clients are increasingly conducting “Initial Subcontractor Interviews,” complete with questionnaires to fill out. This strategy allows the commercial contracting bidder, and their subcontractor partners an opportunity to provide realistic answers about long lead items such as scheduling and logistics. For instance, if a masonry contractor is well aware there’s a 12- to 16-week lead time at the moment for specialty order concrete masonry units, they can factor this into the timeline up front, so that there’s no surprises down the road. The important thing is for clients to be proactive and understandingly realistic about the project’s timeline.

Money and Manpower

When it rains, it pours. If something can go wrong, it will. It’s Murphy’s Law. Everyone in the commercial construction industry knows exactly what this means. When the accepted bid is unreasonably low, the project itself is the first casualty. A low-bid subcontractor can’t perform as promised if they don’t have the amount of funds to cover materials and payroll during the project’s full timeline. What happens next? Clients call up the competing bidders who didn’t win the contract to finish the job, often requesting the same terms as the low bidder provided. Since that never works, clients almost always end up spending more money than if they’d just chosen the responsible bid in the first place. Sometimes

they also mistakenly believe that throwing more manpower into the jobsite will get the project back on track, which is untrue. And that’s where the trust factor kicks in. Reasonable - and reputable - commercial contractors will have enough experience to accurately predict the precise number of skilled laborers, at every level of experience, necessary to complete the project with maximum production and efficiency.

Some final advice: A low bid could be an indication that the contractor is less capable than the other bidders. Be sure of the exact workforce you’re getting. Experience and professionalism count. And be sure to weigh all competitive bids against one another at the same time. Verifying scope with all of responsible bidders ensures contractors are comparing apples-to-apples and is crucial to the comprehensive success of the project. Otherwise, beware - don’t save a little money and time on the front end to pay for it dearly on the back end. 



About the Author

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