

OWNERS: The Price May Not Be Right!

Are you planning new construction for your business? If you are, you will be facing some demanding responsibilities. Among them is the responsibility of choosing the contractor who will build your facility. Unfortunately today, the decision is driven in large part by the bids the contractors submit to construct your new facility. This drive results from the belief that bids are indeed the best way to assure yourself of the lowest possible initial cost of construction. This belief is founded on myth.

Dispelling the myth begins with an understanding that the role you play requires that you make an informed and responsible decision for yourself and for the company you represent. Part of a responsible and informed decision includes pending no less – and certainly no more – than is necessary to build a facility that suits your functional purpose. Right? The answer is obvious. *As an owner, you are entitled to a fair and competitive price for satisfying your needs and getting one is a part of making an informed and responsible decision for yourself and for your company.*

The question is ... how do you do that? Bidding does not assure you of the lowest price for a solution to your needs and clearly does not provide assurance of the best price. Study the chart carefully. What you see down the left margin are items typically priced by general contractors, from subcontractors and material suppliers. Across the top are four bidding general contractors. The data within the chart represents the component process they use in tabulating their bid for your job.

By means of the traditional bid process, contractor three, with a price of \$831,000 has the lowest bid and should, if the myth of bidding is believed, get the award for construction. Look carefully. The spread or range among bidders varies by 5.5%. However, the numbers shaded in the chart represent the lowest component price for each component of the total bid. The true lowest price for the project is \$785,000 or an additional 5.5% below the lowest bidder.

Contractor three wins the award by having only two of the lowest component prices. Can you be certain contractor three has the best price? The answer is no. How do you know, for example, that contractor three's site work sub-contractor will perform to standards? Do you take the contractor's word and litigate in the vent of a problem?

Don't just consider price when you choose a contractor. Choose your contractor on the basis of reliability, performance, and quality of work before you begin the process of determining cost of construction. Unite together as a team where you and the contractor can approach the sub-contracting and material supply communities with the project "in hand." As a member of the team, you can participate in the process of determining the cost of constructing a solution to your needs. Your influence on the bottom line is direct. Collectively, you and the builder act together to select the best possible price for each component of the job. In the event the best is not the lowest, you know exactly why. You are informed, which enables you to react in a responsible way.

Choose your building contractor on the basis of the factors, which truly measure their value; reliability, performance, and quality. Join your contractor as a team member to enable them to help you achieve a legitimate solution to your need for general construction service.

Supplier or Subcontractor	Contractor #1	Contractor #2	Contractor #3	Contractor #4
Sitework	155,000	163,000	146,000	172,000
Concrete	96,000	80,000	82,000	90,000
Steel Erection	135,000	116,000	125,000	104,000
HVAC	305,000	305,000	290,000	311,000
Plumbing	30,000	33,000	30,000	28,000
Electrical	120,000	105,000	118,000	120,000
Painting	15,000	11,000	13,000	14,000
Specialty Construction	21,000	26,000	27,000	23,000
TOTAL	877,000	839,000	831,000	862,000