11 Estimating & Bidding Tips
to Win More Construction Projects
Putting together a winning bid proposal, or even a competitive one, takes knowledge and skill. It’s a bit more complicated than just throwing some numbers together and hoping for the best.

Good bid preparation requires a lot of time and effort and involves everything from reading and fully understanding the plans and specifications to accurately estimating costs for labor, materials, and equipment. You need experience, practice, and intuition to avoid bidding too low or too high.

Making even the smallest mistake can mean the difference between submitting a winning bid and missing out on a coveted and profitable project.

To help you submit better bids, we’ve put together 11 tips to help you bid and win more profitable projects.
You don’t have to bid on every job you come across. Winning jobs your business can’t adequately perform can be just as costly as not winning them. Remember, it is never too late to abandon a bid—even after you’ve started working on it. Once you start crunching the numbers you might discover that your company won’t make a reasonable profit if you were to win the contract. The best thing to do is dump it and move on to the next project.

For example, you may discover during your bid preparation that your company cannot adequately handle the scope and requirements of the project. At that point, you need to make the smart business decision to walk away from the bid.

Finding the right balance between bidding and winning enough jobs can be difficult. On the one hand, you don’t want to bid and win so much work that you can’t properly manage and complete the projects you’ve been awarded. You also don’t want too little work that you aren’t making any money and your workers aren’t staying busy.

Selecting the right work to bid is vital to maintaining a profitable business, which is why it’s vital to have an established bid/no-bid decision-making process in place.
You invest a great deal of time and resources into putting together a bid, so it’s important to make sure you are carefully identifying the right construction projects to go after.

One way to do this is by conducting a thorough bid/no-bid analysis that meets your company’s goals and is consistent with your long-term strategy. To make the bid/no-bid decision, there are several factors to consider as you make an objective, rather than a subjective, decision.

**Profitability**

The bottom line is if you can’t make a profit on a project, you have no business bidding on a project in the first place. Make sure you have an accurate and comprehensive account of your annual labor and equipment costs so you can correctly estimate your job costs.

When calculating labor costs, be sure to include taxes, insurance, workers’ comp, vacation pay, tools, and equipment. Don’t forget to factor in any and all additional benefits you provide to your employees.

Once you determine what it will cost you to complete the project, you will also need to consider other variables like location, contract requirement, and planned method of construction. Only then can you determine if the job will be profitable should you submit the winning bid.

**Risk Assessment**

Every construction project comes with risks. Completing a risk assessment should be part of your bidding and estimating process. For one, it helps in your bid/no-bid decision making. A good estimator can identify a project that is too risky and make the right decision to pass on submitting a bid. It also helps to determine how much to estimate for contingencies in your bid.

Failing to assess risks and build in contingencies to your estimate will be detrimental down the road should things go sideways. The bigger the risk, the more time you should spend on determining ways to mitigate them and how that could impact your costs. You likely won’t be able to recoup the losses that occur should an unforeseen issue crop up once construction is underway.

Other factors to consider when making your bid/no-bid decision include project location, duration, size and scope, competition, client, and designer.

First, determine which factors and criteria are most important to your company. You can do this by creating a grading matrix and a threshold score for making the decision to bid or not. By taking a data-driven approach, you will be able to make smart, informed decisions on which projects to pursue in the future.

**Long-Term Strategy**

Consider whether the construction project you are looking to bid on fits in with the long-term strategy and of your company. Are you trying to maintain your current level or are you trying to grow your business? Do you want to expand into new geographic locations or new markets? Maybe you want to start tackling more private work or you want to start taking on larger projects like hotels or hospitals.

Regardless of your company’s long-term strategy, you should make sure you are identifying and going after projects that align with those goals.

**Historical Analysis**

To submit better bids and win more work, you should keep records of all your bids, both the successful ones and the ones you didn’t win. It’s important to have a clear understanding of what caused you to lose out on a bid, whether it was a lack of experience or if you simply weren’t low enough on the price. Don’t be afraid to ask the client for feedback after the bidding process is complete.

Review your performance on the projects you did win and complete. Did you underperform or were you able to successfully manage the project? Were there areas to improve productivity to complete the project under budget? By analyzing historical data, you can better identify which bids you should be going after.
2. Identify and Manage Risks

Identifying and managing risks is probably the most overlooked aspect of preparing a bid. Once you’ve identified the potential risks, you will need to analyze and evaluate each one individually so that they can be properly managed and mitigated. Consider the probability of each identified risk and the impact it can have on the project.

For example, a low-probability risk with a low impact might be easy to mitigate. But a high-probability risk with a high impact that you can’t effectively manage could be detrimental to the project’s profitability. Identifying and evaluating possible risks associated with a project when preparing your bid will make you better prepared to handle a situation when something goes wrong.

Effective risk management is key to every successful construction project. It can be the difference between making a nice profit and breaking even or worse, suffering a loss.
Prioritize the Risks

Once you’ve identified the potential risk, the next step is to prioritize those risks. You can start by identifying what impact each risk will have and the probability that it will occur. High-impact, high-probability risks should go to the top of your risk list with low impact and a low probability of occurrence at the bottom.

Carefully consider how much time, money, and work each risk will require to effectively manage. This is a good time to review your bid/no-bid decision. If you’ve identified many high-impact, high-probability risks it might be time to walk away and move on to your next opportunity.

Identify the Risks

The first step is to identify all the potential risks that could arise on the construction project. This should not be a guessing game. Carefully review the bidding documents, plans, and specifications for the project. Once you have a full understanding of the scope of the project you can start identifying the issues that may arise down the line.

Rely on your previous experiences by reviewing similar projects you’ve completed in the past. Get the key players of your project team together to hash out the probable risk and potential opportunities. If you’ve never worked with a potential client, do your due diligence and conduct some research on them.

Common risks include incomplete construction documents, site conditions, accelerated timelines, safety concerns, delays, change orders, and unexpected increases in material costs.

Manage the Risks

Now that you’ve identified and prioritized the risks, it’s time to determine how you will manage each risk. Decide if you can avoid, eliminate, reduce, transfer, or accept each risk. Regarding bid preparation, risk avoidance means deciding not to submit a bid.

Eliminating, reducing, and accepting risks takes careful planning. Break down each risk into actionable items. Determine what additional resources will be needed and be sure to incorporate those mitigation costs into your bid. Don’t overcommit your resources to handling multiple risks. You may have to bring in additional labor or rent additional equipment to manage all your risks effectively.

Don’t overlook transferring risks back to the owner or client. Be sure to communicate with the owner or owner’s representative when preparing your bid to get clarification on what risks they will assume and which ones you will be responsible for managing. Work with your insurance provider to determine which risks are covered under your current policies along with other options for protecting your company against risks.

By starting the process early, you can avoid bidding on projects that won’t make you any money. It will also lead to more accurate bids with reasonable contingencies built-in and result in your company winning more bids. Project management will run smoother and you’ll save time, money, and resources as work progresses.
Most bidding opportunities provide prospective bidders with a chance to attend a pre-bid meeting and visit the jobsite. Often, these are mandatory in order to submit a bid and with good reason. No two jobsites are identical and unknown site conditions can cause unexpected, and costly, issues when construction gets underway.

When conducting a site visit, you’ll want to take measurements, inspect the topography, and take some soil bore samples if that hasn’t already been done. You will also want to look at road access and traffic to the site, determine how much space there is for staging, equipment and materials delivery and storage, and what environmental protections will be needed during construction.

Be sure to have any subcontractors whose work may be impacted by the site conditions make a visit as well. This allows them to assess the site for themselves and factor in any additional costs that existing site conditions might require into their estimates and bids.

Having a good understanding of the existing site conditions can eliminate problems down the line should you be awarded a project. Unique site conditions like limited accessibility or a location that would require additional costs on items like transportation, equipment, material storage, and labor could exist. Failing to visit the site would leave you unaware that these conditions exist and not factoring in those additional costs into your bid will cut into your profitability.

Many times, a pre-bid meeting will be held at the construction site or a site visit will be held directly following a pre-bid meeting. Pre-bid meetings are held to allow the project team to answer questions regarding plans and specifications, site conditions, and specific project details.

Failing to attend a pre-bid meeting means missing out on your best opportunity to get clarification on the requirements of the project. It could be the only chance you get to walk around the site and get a better understanding of exactly what you will be dealing with. If the pre-bid meeting is mandatory, failing to attend will result in your not being able to bid on the project.

When preparing a bid proposal, you want to have as much information as possible in order to submit a competitive bid. Refusing to attend a pre-bid meeting or a site visit will put you at a severe disadvantage.
4. Seek Clarifications, Avoid Assumptions

As you’re preparing your bid, you need to do your due diligence to ensure that you have all the pertinent information, that the information is accurate, and that you have a complete understanding of this information.

Fully review the plans and specifications to determine everything required to bid on the project and complete the work. This includes knowing everything from what bonds are required to whether there are participation goals for minority business enterprises (MBEs) or if material substitutions are allowed in the bid. If you are unsure of any aspect of the project when preparing your bid, you should seek clarification from the architect, owner, or owner’s representative.

Be aware that there are typically cut-off dates in place for questions to be submitted. This allows for the project team to make any changes to the plans and specifications and for any addenda to be issued to the bidders and plan holders.

If you are unclear on any aspect of the project, the onus is on you to get clarification. Making assumptions is no way to submit a winning bid. If you can’t get your questions answered to your satisfaction, you might want to reconsider bidding the project.
Your takeoffs lay the groundwork for your estimates. If they're incomplete or incorrect, it can really throw off your estimates. Accurate takeoffs help you determine the exact quantities needed for all your materials and supplies, which are required to determine your labor and equipment needs.

If you miss items during takeoff or don't get accurate measurements, you’ll either overestimate the project and not win the bid or you’ll underestimate and risk winning a project that won’t be profitable.

Takeoff software is a great option to ensure your measurements and estimates are accurate. It’s also a huge time saver over doing takeoffs manually. These tools are only as good as the user, so it’s important that estimators get the proper training and are comfortable using the software.

Take the time to fully review the plans and specifications to determine accurate measurements and takeoffs. This will result in correct construction costs when calculating your bid. Takeoff software can ensure that your measurements are correct so you can submit a more accurate bid.

Inaccurate measurements will cause you to miscalculate the amount of building materials and labor needed to complete the job. This, in turn, will lead you to either over- or under-estimate your construction costs. Using the right units of measure is also important when calculating your bid. Using square feet when you should have used square yards or vice versa can drastically affect your estimated costs.

Make sure that you are taking measurements from the right place. Often the plans will instruct you not to scale the drawings or direct you to use the written or calculated dimensions provided in the specifications.

This often occurs when electronic documents are used because enlarging or shrinking the size of a drawing when printing can result in the scale being incorrect. If there is ever any doubt as to where to take your measurements from you should contact the architect for clarification.
6. Avoid Math Errors

Errors with your math can have a devastating impact on your bid. Arithmetic errors can result in your bid being under or over the actual cost of completing the job.

Manual calculations can easily result in arithmetic errors. Always use a calculator or some type of construction estimating or bidding software to ensure that your calculations are accurate.

If you are using bidding software or a calculator, errors can typically be attributed to not data-entry errors. If you are using a spreadsheet like Excel to calculate costs, check that your formulas are correct.

Always double-check your math to make sure that all your numbers and calculations are correct. This is one of those instances when having another set of eyes to look over your figures and calculations helps to prevent costly mistakes.
Labor costs are probably the hardest item to nail down accurately when it comes to your estimate. There are several variables in play when estimating labor costs, including the number of available workers for the project, their experience level, rate of pay, and productivity.

Focus on determining how many man-hours it takes to perform a task to use as a guide when estimating labor costs. Employee turnover, absences, and injuries can all affect your actual labor costs.

More experienced workers may be able to complete tasks quickly, reducing the number of man-hours needed. On the flip side, you will have to pay a higher rate for their services. Workers with less experience will require more man-hours to complete a job, but you can pay those workers a lower wage.

Don’t forget to determine whether prevailing wages are required on the project, which may or may not be different from what you typically pay each worker. Always keep records of job costs, especially labor costs, as you can use this historical data for more accurate estimates on future projects.

Wage rate determination is required on all federal government construction projects as mandated by the Davis-Bacon Act. Wage rates are determined by the location of the project and the type of construction being performed. Many states also have prevailing wage laws for public construction projects. Wage rates can vary greatly from state to state and even from county to county.

When determining your labor costs, remember to factor in any projected overtime as the wage rates for overtime hours worked can be as much as double the prevailing wage rate.
Costs for building materials and supplies can change rapidly and can vary greatly in different parts of the country. For example, if specialty materials are required—that you aren’t familiar with—don’t assume that the cost is comparable to similar items. Your best bet is to call around to local suppliers to get up-to-date costs for materials and delivery.

Make sure that the building materials and supplies required in the specifications are clearly defined so your pricing is correct. If you are uncertain of the materials being requested in the specifications, you should always get clarification from the architect, owner, or owner’s representative.

When putting a bid together you need to make sure that you have all the necessary equipment needed to perform the work. This may mean you have to rent or purchase additional equipment.

Even if your company owns all the required equipment, you will need to make sure that it isn’t already allocated for use at another jobsite. Also, make sure that no major maintenance or repairs are scheduled that would take the equipment offline for an extended amount of time.

Make sure that the equipment is in good working order and operating at peak performance, which might otherwise cause delays in your construction schedule. Equipment that isn’t optimally performing can increase the time it takes to complete certain tasks.

 Unexpectedly having to rent additional equipment or face delays can negatively affect the bottom line of a project. Remember to factor in fuel costs to operate the machinery and to transport the equipment to the jobsite.
Getting subcontractor pricing can be complicated. You want competitive prices from your subcontractors, but you also want some assurance that they can perform the work required. This is true whether it is a subcontractor you are using for the first time or one that you have worked with for years.

One solution is to set up a prequalification process for those subcontractors who want to work with you. This allows you to have a better understanding of the type of work they can perform by evaluating their quality and performance on past projects.

At a minimum, you should be getting bids from at least three different companies for each trade. As you subcontract out work, this will ensure you are getting competitive prices. Carefully review and evaluate every subcontractor bid to make sure that the prices quoted are complete and accurate.

When requesting bids from subcontractors, clearly define the scope of work that the subcontractor is expected to perform. Failing to do this can result in unnecessary costs being added to your bid because of an overlap of work being bid by both you and your subcontractor.
Failing to fully complete the bid form and submit all required document is a surefire way to get what might otherwise be a winning bid rejected. Required documents and paperwork can be anything from bid bonds to acknowledging receipt of any addenda.

A good way to ensure that you have all the required paperwork for your bid is to use a checklist as you prepare your bid and then go back and double-check to make sure that everything is included. It never hurts to get another set of eyes to look over the bid proposal to make sure nothing has been forgotten before you submit your bid.

There are a few other requirements that go along with preparing your bid that can get your bid rejected if you don’t comply with them or simply overlook them. As mentioned above, you must first get prequalified to bid a project when it is required.

Then, make sure to attend all mandatory pre-bid meeting and site visits. The third, and most important of these, is submitting your bid by the due date and time. All these requirements will be clearly stated in the bid.
Preparing a competitive bid proposal takes time. If you rush to put a bid together, it’s going to lead to mistakes. You need adequate time to read through and understand the plans and scope of work—plus time to gather and evaluate subcontractor bids. Don’t fall into the trap of thinking that if you’ve done similar work in the past that you can just slap a bid together without doing your due diligence.

Everyone makes mistakes, estimators are no exception. Small estimating errors or omissions might not make much of an impact but big ones like omitting scope items, inaccurate measurements, or using the wrong units of measure can spell trouble. Take the time to carefully review your work or have another person on your estimating team review your estimates.

Give yourself adequate time to put your estimates and bid together. Rushing through your work just to meet a bid deadline will only result in mistakes that will cost you in the end. So, take the time to get it right the first time.

Profitability on a project is almost always determined with your estimates. If you underestimate your bid, there’s usually no amount of cost-cutting measures that will make up for the shortfall.

Putting a bid together is more involved than just pulling some numbers together and filling out a bid form. If you don’t have the time to fully evaluate and compile a proper bid, then you shouldn’t attempt to do so. Sometimes not bidding on a project is a better business decision than submitting a bid that you threw together at the last minute.
Preparing a construction bid proposal is no easy task. A competitive and winning bid proposal requires a lot of time and attention to detail. Making mistakes can lead to submitting a lot of overpriced, uncompetitive bids or worse a lot of underpriced bids that you win but make no profit on.

The key to winning more bids is being able to accurately estimate all costs required to complete the job while factoring in a reasonable profit for your company.

Learn more about ConstructConnect and how we help contractors find, bid, and win the best projects for their business, visit www.constructconnect.com