Ralph J. Stephenson, P.E., P.C.
Consulting Engineer

I. The Role of the Estimate and the Proposal

I. Definitions

A. **Estimate**
An Approximate statement of what would be charged for certain work to be done submitted by one ready to undertake the work. (American College Dictionary)

B. **Proposal**
A plan or scheme proposed. (American College Dictionary)

C. **Indexing**
The application to previously well defined estimating units (usually proven by in-place cost experience) of a series of percentage factors so as to relate a <u>then</u> condition to a <u>now</u> condition.

D. **Profiling**
Preparation and use of a selective, flexible and operable system of screening for optimum use.

II. General Observations

A. Before any estimate of any type is prepared, some valid and serious profiling should be done. Profiling tools include financial ratings, Dun and Bradstreet reports, Standard Industrial Classifications and decision tables.

B. An estimate and a proposal are two different objects. <u>Proposing</u> is the real key to success in any competitive field!

C. A proposal reflects consideration of a myriad of factors relating to your approach. You should <u>propose</u>, not bid.

D. Some commonly used methods of estimating include:

1. By area and building profile
2. By volume and building profile
3. By system and building profile
4. By quantity survey and unit cost
5. By appraisal replacement

6. By assembly of other source estimates
   Note: All above methods must be subjected to indexing.

E. Factors making up a construction index include:

1. Construction volume in area
2. Company work load
3. Season of year
4. Type of facility to be constructed
5. Material costs
6. Labor costs
7. Labor efficiency
8. Labor availability
9. Trade contract expiration date

Factors That Influence Profit

Business Volume
Field Efficiency (Effectiveness)
Office Efficiency (Effectiveness)
Executive Competence
Executive Interest
Diversity of Operation (Hedging)
Types of Contracts
Quality of Estimating
Unit Costs
Area Work Volume
Season of Year
Local Economy
National Economy
Governmental Politics
Caliber of Participating Contractors
Caliber of Competing Contractors
Caliber of Suppliers
Delivery dates
Amount of Warranty Work
Caliber of Owner/ Client
Scope of Project
Size of Project
Quality of Drawings and Specs.
Location
Labor Relations

Caliber of Field Managers
Expediting Effectiveness
Project Planning
Project Scheduling
Withheld Amounts
Availability
Billing Procedures
Inventory Practices
Internal Education
Internal Training
Type of Business
Experience
Reputation
Staff Honesty
Caliber of Purchasing Skills
Profiling Procedures
Organizational Plans

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I. **What is needed to move into design and build?**

I. **Functional needs to be filled.**

A. Sales
B. Engineering
C. Architecture
D. Estimating
E. Real estate
F. Finance
G. Legal
H. Graphics
I. Construction
J. Maintenance

All these functions must be filled in a total design build operation irrespective of size of project or size of firm, all are necessary.

II. **What talents are required to move into design and build.**

A. **Sales**

1. Prospects must be located and screened early.
2. Must avoid pure competitive price bidding (single value competition)
3. Salesmen must know design build business thoroughly.
4. Salesmen must know how to use technical assistance, and technical assistance must be available throughout sales period.
5. Good judgment required of salesmen to avoid misuse of material and assistance submitted to clients.
6. Good presentation techniques essential.

B. **Technical**

1. Must have competent engineering and architectural capabilities or sources available currently.
2. Should have real estate know-how and available real estate services and advice.
3. Should know financing techniques; detail knowledge not essential but helpful.

4. Must have construction staff sympathetic to systems design and other design-build concepts. Technical staff must, in turn, be sympathetic towards construction and understand how design and construction fit together.
5. Must have good estimators capable of translating concepts into costs and costs into design documents for construction.
6. Organization must be mobile with interchangeable talents.
7. Graphic and writing talents should be available, preferably on internal staff.
8. Should have good legal advice source currently available.
9. Should have good cost accounting system well related to construction operation.

C. **Administrative**
1. Good grasp of a multitude of business techniques essential.
2. Executives must understand and be sympathetic to sales, design, construction, and the total service concept.
3. Administrators should know real estate and financing elements of environmental construction.
4. Executives must have a grasp of selling construction to laymen. A design build firm often deals with persons unfamiliar with design and construction.

D. **Construction capacity**
1. Must know how to manage construction.
2. Must have good buying abilities (not sharp or shopping oriented, but good)
3. Superintendents should strive for good project liaison and understand the importance of continuing sales on the job.
4. Must minimize callbacks by doing a good job initially. Single responsibility pattern makes it imperative that you as a design firm complete the work so it performs well.
5. All field and office personnel must be sympathetic and understand the design-build concept.

I. Finding and selling to design-build prospects.

I. Definitions

A. Phase one selling - Activities aimed at locating prospects and generating general knowledge about them prior to specific projects being available. Includes informing the prospect about you.

B. Phase two selling - Activities geared to proposing and obtaining specific project commissions from prospects.

C. Profiling - A selective, flexible, dynamic. operable system of screening prospects and projects for optimum results in phase one and phase two selling.

II. Phase one selling techniques

A. Phone calls
1. Should, if appropriate and possible, lead to a personal visit.
2. Use phone to open doors that lead to personal visits with legitimate and likely prospects.
3. Phone calls should usually result in a decision, recommendation or job award.

B. Correspondence
1. Use project correspondence as a basic tool, not as a casual communication medium. Reading time is at a premium.
2. Follow decision phone calls by confirming letter to avoid later misunderstanding.

C. Personal visits
1. Keep visits short and valuable to prospect. Always ask "How am I helping the prospect do his job better?"
2. Show graphic material about your company.
3. Show examples of your work.
4. Stress single responsibility pattern.
5. Answer questions accurately, honestly, briefly. Don't dally; a prospect's time is valuable.
6. Leave something interesting and useful with the prospect.
7. See all the decision makers possible when you visit the prospect, but start with the top man or woman.

D. Use of your staff
   1. Where prospect is good (likely to build), utilize useful staff talents in phase one selling visits.
   2. Brief staff members before such meetings.
   3. Have a good reason for staff members to accompany you when visiting prospect.
   4. Introduce staff members fully to the prospect. Make certain he understands who they are and how they relate to him.
   5. Remember the importance of generating confidence. Make certain staff members accompanying you understand this.

III. **Phase one profiling**

A. Financial report analysis
B. Response mailing
C. Control point use
   1. Available industrial parks
   2. Available financing
   3. Available tenants
   4. Available land
   5. Available services
D. Prospect financial strength analysis
E. Prospect growth analysis
F. Prospect SIC classification

IV. **Phase two selling techniques (When proposing on a specific project)**

A. Proper determination of scope of work is essential. If project outline specification is available, take advantage of it. You may have a ready-made scope of work immediately.
B. As you determine project characteristics with prospect, be specific, and make him be explicit.
C. Visit the project location and make a site and area evaluation.
D. Obtain local codes and ordinances.
E. Learn all about any competition you have or might have.
F. Do not indiscriminately give away information that might be used against you to generate single value competition.

G. If you can't collect proper data about the project because of lack of time, experience or knowledge, get someone on the job who can.
H. Make certain the prospect knows you are collecting information This is one direct method of showing how competent you really are, particularly if it is your first technical contact with the project.
I. Keep prospect generally notified of your progress.
J. Sell the prospect's entire decision-making organization throughout the Phase two period - you are getting close to a contract.
K. Find all control points that give you unique advantages; these may include financing, land, or others.
L. Use graphic aids for Phase two selling, and use them continually. Such helps as network plans, decision tables, curves, charts, anything the owner or prospect can understand quickly and use himself will be of value to you and him.
M. Personally present your proposal to the prospect decision-makers.
N. Know the project.

V. **Phase two profiling**

A. Project type
B. Project size
C. Project cost
D. Project location
E. Your current work load
F. Management objectives of you and your prospect.
G. History of success in similar projects
H. Current chances of getting project
I. Type of contract possible

VI. **Remember**

A. The prospect must ultimately trust somebody, <u>MAKE IT YOU, NOW.</u>
B. Mutual confidence and trust - the prospect's in you and yours in the prospect - is the best protection you have against him shopping your sales and contract information.

Kinds of estimates

1. **Estimating can be defined as an approximate statement of what would be charged for certain work to be done submitted by one ready to undertake the work. Other definitions have been proposed but they all lead to the conclusion that estimating is fundamentally the art and science of predicting what the total cost actually will be. This estimate classification system takes into account the functional characteristics of the specific estimate to be made. It considers ten elements.**
    1. Point in time at which estimate is prepared
    2. Scale of detail required
    3. Estimating methodology
    4. Life span covered by costing
    5. Data available
    6. Ultimate use of estimate
    7. Number of elements estimated relative to total
    8. Competitive situation
    9. Role of estimate in setting final cost
    10. Control position
2. **A meaningful classification system results if we assign values or weights to identify the requirements of the specific estimating situation.**
    1. **Point in time at which estimate is prepared.**
        1. Conceive
        2. Program
        3. Articulate
        4. Approve
        5. Design
        6. Construct
        7. Turnover
        8. Operate
        9. Maintain
    2. **Scale of detail required**
        1. Very rough detail, using general rules of thumb

2. Generalized combination system in rough detail
3. Moderate detail by unit or component modified with general historical and current data
4. Great detail modified with specific historical and detail current data.

3. **Estimating methodology**
   1. Replacement or appraisal technique
   2. Historical unit area or volume figures indexed for current use
   3. Major component costing and assembly indexed for current use
   4. Detailed time and material estimates of elemental units (individually assembled at time of estimating)
      The fundamental difference between component costing and costing from elemental units is that in the first the elemental units are pre-assembled and pre-estimated so that they are not evaluated each time the component is encountered in the project.

4. **Life span covered by costing**
   1. Cost of initial installation only
   2. Cost of installation, and short operating and maintenance cycle
   3. Cost of installation, and long operation and maintenance cycle
   4. Cost of installation, and total operation and maintenance over life of investment.

5. **Data available**
   1. Very little
   2. Moderately adequate with supplementary research
   3. Generally adequate
   4. As much as required

6. **Ultimate use of estimate**
   1. Conceptualizing - to gain basic idea of scope - usually very rough figures
   2. Comparative evaluation - to measure on an equal basis several elements or combinations, all relative to a common datum
   3. Budgeting - to provide a basis for allocating capital funds, maintenance or operating costs or other expenditures on a given program prior to its final design but after its conception

4. Competitive - to give the ultimate decision-maker in an environmental design and construction program comparable, firm values by which he can select all elements of the program to optimize its effectiveness

7. **Number of elements estimated relative to total**
   1. Small part of total
   2. Moderate part of total
   3. Major part of total
   4. Most or all of total

8. **Competitive situation**
   1. No competition
   2. Moderate multi value competition
   3. Heavy single value competition

   Multi value competition is a relative evaluation based upon several factors such as size, quality of management, experience, present work load and financial strength.

   In single value competition, all of these reduced to a lone bid. Such is the case on public projects where the only requirement to be on the bidding list is that an adequate bond be available

9. **Role of estimate in setting final cost**
   1. to set capital costs only
   2. To set financing, operating and maintenance cost only
   3. To set all project costs through a specified period of time

10. **Control position occupied**
    1. No control exerted
    2. Minor controls possible
    3. Major controls possible
    4. Total control of program

    Much elaboration is possible on control positions. the code suggested is a simplistic approach and in actual use might be modified to reflect to what the control is applied. Control position may extend to labor, material, land, money, design, construction or sub contractors among others.

Ralph J. Stephenson PE PC
Consulting Engineer

SUGGESTIONS ON SELLING TO DESIGN/BUILD CLIENTS

During a seminar several years ago, Dr. Harvey Thomas, a behavioral psychologist, outlined several suggestions as to how the designer/builder could best cope with customer motivation and pricing problems. The words of advice from Dr. Thomas are excellent, and are reproduced below for consideration in generic (G) construction sales situations where motivation and pricing are potential problems.

To Increase Customer Motivation:

1. Give the prospect or customer a role to play.

2. Make intangible benefits you are offering, real.

3. Eliminate or minimize distractions to your discussions.

4. Emphasize the advantages of what you are offering.

5. Allow catharsis of the prospect or customer's fears.

6. Stimulate the prospect or customer's discontent with anything less than what you are offering.

To Deal with Pricing Problems:

1. Investigate possible smokescreens.

2. Use sandwich technique (i.e. advantages vs. disadvantages).

3. Broaden the customer's perspective to all advantages of your suggestions.

4. Match his or her needs against your offering and its advantages.

5. Examine costs - item by item. Don't hesitate to show your pricing work

sheets.

6. Don't negotiate on the basis of generosity.

7. Create favorable illusions (i.e., give the prospect or customer a throwaway if appropriate).

8. Give the prospect or customer a less attractive choice.

9. Overstate the prospect or customer's objections.

10. Explore the cost of a bad decision or no decision.

Each point above should be examined and reviewed in detail. As quick reminders, they serve to emphasize the need to always be aware of what it is your prospects and customers require. Make sure you understand what motivates them; then always indicate and convey your desire to work with them to achieve the things that can be best obtained from you and you alone.