

# MOVING ONLINE

to Create Efficiencies in the Estimation Process:  
Gaining a Vital Advantage in a Tight Market

According to recent construction industry data reported in The Wall Street Journal, the value of new construction projects will fall to \$515 billion in 2009, down 7% from this year and off 25% from its peak of \$690 billion in 2006.

The decline will be led by cutbacks in the construction of hotels, office buildings, warehouses and factories.

by James Benham  
President - SmartBidNet

The story also reported that non-residential construction – which had remained fairly strong in comparison to residential – “will drop 10% next year to about \$220 billion. In square-footage terms, the country will build 12% less nonresidential space -- including stores, offices and warehouses -- than in 2008.”

In challenging market conditions like the one in which general contractors are currently operating, winning competitors need to “create their own luck” by creating efficiencies that not only cut costs, but also optimize complex processes, as well.

## ADAPTING

### Becoming Lean, Doing More with the Same or Less

In the construction industry, the estimation process – labor intensive, time-intensive, and data-driven – is a key battleground for general contractors (particularly when involved in Tenant Improvement bids, which require extremely fast turnarounds).

Many developers and owners are moving from negotiated work to hard bids -- and the pressure on general contractors to produce more estimates has never been greater. This pressure is compounded by the fact that many construction companies now have to produce many more of these estimates without having the luxury of immediately adding professional staff.

By moving to an entirely online, digital communication and plan delivery process, general contractors (and subcontractors) can save enormous amounts of time (often 40%-50%) previously spent manually processing paperwork, printing and mailing out invitations and plans. Needless to say, cost savings are also significant, particularly since a general contractor may have 15,000 to 50,000 subcontractors at any given time.

Just the decreased printing and shipping costs associated with plan files can provide general contractors with significant savings in terms of both money and man hours. In fact, there are general contractors who, by moving their operations online, are already realizing cost savings of tens, and in some cases hundreds, of thousands of dollars annually by doing so.

## Going DIGITAL Reaping the Rewards

By switching to an online platform for managing the bidding process, there are three areas in particular where immediate efficiency and value gains can be measurably realized:

1. Refining preconstruction management strategies and implementing new best practices

All-electronic distribution processes simplify plan file management – creating administrative efficiencies

Integration of field review data on subcontractors with pre-construction data strongly aids in the selection of subcontractors by maintaining a record of how they perform in the field

Online technologies can unify the subcontractor database, and create efficiencies by simplifying updates and communication

2. Subcontractor management and performance evaluation

Moving to a digital platform allows for analysis of bid receipt performance

With such a platform, pre-qualification of subcontractors can reach new levels of detail

Advanced searching functions can allow general contractors to more easily find the subcontractors being sought

3. Invitation and plan distribution: Precision and flexibility

Using online technologies, invitations can be sent by email and fax -- or both at the same time

New online technologies allow general contractors to confirm when an email invitation is read, and when a fax invitation is received – preventing “falling through cracks” and other missed opportunities

Online plan distribution allows for immediate distribution over the web of plan files without any special software required – which saves time and money in terms of installation, maintenance and upgrades

Full audit logs allow general contractors and subcontractors to access all relevant information and correspondence

## The SUB CONTRACTOR Factor

As online bid response technologies evolve and improve, these technologies are greatly improving the communications between general contractors and their subcontractor networks.

Prior generations of such technologies required subcontractors to purchase expensive software packages or lead services. However, the current generation of the best online technologies makes it simple for subcontractors to work with general contractors -- often at no cost to them (general contractors are the subscribers to the online platforms).

And so, since subcontractors are no longer charged in many cases for using these platforms, and since the best-in-class online services no longer subject subcontractors to unwanted advertisements and solicitations, the result is an increase in participation by subcontractors in responding to bids. This provides general contractors with more and higher-quality proposals, and therefore a better chance at winning the projects for which they are bidding.

## Value of MOVING ONLINE

### The Proof is in the Performance

General contractors that have migrated their estimation processing operations online are at a distinct competitive advantage in today's tight economic conditions. And with general contractors across the nation seeing fewer projects in the “pipeline,” the benefits of such competitive advantages become obvious.

To conclude, by bringing the estimation process online, general contractors greatly improve their chances of producing winning bids while spending much less to do so.

And producing winning bids, especially in a contracting market, is the sole metric of success – and survival – for today's general contractors.