

Estimating Full Circle

Customer Estimates Will Make or Break You



CrewBuilder by TrenLot, Inc.



Estimating is hard and specialized, especially among trades, even the most experienced don't always get it right. You need a process that continually improves estimate accuracy as well as one that can bring new hires up to speed as fast as possible.

Your estimates are the first line of defense in protecting your profit margin. They impact project budgets. We put a lot of time in talking with construction companies in order to understand their challenges. It's how we are able to focus on solving the unique business problems our customers have. The right people and tools can make or break your bottom line during the constant booms and busts of

the construction industry. Low estimates jeopardize margin and high estimates can put you out of the race. If you aren't comparing estimated costs vs actual costs currently, you might want to start. The majority of estimates are created with tools or software that have not been optimized in this way. To avoid unnecessary loss of margin, CrewBuilder was designed to help estimators improve this and other areas of proficiency.

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Successful estimating is a challenge that involves two parts oversight, four parts training, a bucket of experience, topped off with an automated *feedback loop* that compares estimated versus actual project costs. We get the benefit of talking with lots of construction companies, from large general contractors to subcontractors running a handful of crews.



"To win in the marketplace you must first win in the workplace"

- Douglas Conant

Processes you should have in place to help improve estimate accuracy:

- ☐ Track won and lost estimates (and why)
- ☐ Track actual verses estimated project cost
- ☐ Understand the company's capacity to execute projects and have the discipline to say 'no'
- ☐ Monitor resource availability: Labor, Equipment, Materials, Subs
- ☐ Training programs for continuous improvement
- ☐ Safety programs



**"Plans are only good intentions
unless they immediately
degenerate into hard work"**

-Peter Drucker

What is an estimate? Simply put, an estimate for a construction project is total labor, equipment, material, and subcontracting required to fully complete a project. Creating a customer bid or quote takes the estimated costs and marks them up with pricing for the customer. The customer sees the bid or quote price and the project manager gets the estimated project budget. Sometimes the Project Manager is the one creating the estimates

they have to live with on the project. Often the estimator hands over a budget to the Project Manager that contains a few surprises that end up in a heated discussion.

Make sure you have a continual improvement process for improving estimate accuracy that includes the people that have to make project budgets work.

"If you can't measure it, you can't improve it"

- Peter Drucker



Why track won and lost customer estimates?

Why track won and lost customer estimates? The simple answer is so you can focus your efforts on the most successful and profitable projects. It's common for some contractors to spend a ton of time blindly responding to RFPs and RFQs, winning somewhere between 10%-20% of the projects. With

more detailed information on the types of projects you are winning and losing, you can prioritize efforts on the customers you are most likely to win.

You will also want to track the profitability of the types of project you completed. For a better way to focus your time, prioritize the customer estimates, RFPs, and RFQs that are most profitable and are most likely to get.



“If we don’t take care of our customers, someone else will.”

-Edgar Mitchell, Astronaut and Business Leader

Know Your Competitive Market

Successful customer estimating is a combination of knowing your costs and capabilities and understanding the customer’s willingness to pay in a competitive bid. Executing a successful project starts with sales and customer relationships. Regardless of who creates the customer bid or quote, sales and relationship management are core areas you need to grow your business. The strength of your customer relationship will determine where you need to be on

bid/quote pricing. They might just tell you.

There are only two realistic ways to get the estimating experience your company needs: it’s a build versus buy decision. You either hire an experienced estimator with direct experience for your business or you train your people to be expert estimators. Finding the right person to crank out successful estimates can mean healthy growth for your company.



I have always believed that the way you treat your employees is the way they will treat your customers, and that people flourish when they are praised.

-Sir Richard Branson

Finding the right people

With a tight labor market and few people with extensive estimating experience, you have a slim chance of finding the right estimator. We talked with one company that schedules at least 3 months to find a new Project Manager. When there is no substitute for experience, what do you do to improve estimate accuracy? You need to create a continuous training feedback loop that compares customer estimates to actual project costs.

Estimating is particularly challenging for new and

existing estimators because they always need to understand the current resource capabilities of the company. For example, some projects require specific licenses or certifications, others require security badging and background checks. Some even require a percentage of local residents to be employed on the project, such as the Chase Center for the Warriors requiring “good faith efforts” to hire San Francisco residents for 50% of the total construction hours.

To complicate estimating further, not all workers operate at the same productivity level. Estimating labor time is challenging when you don't have a history tracked performance on projects. Estimates for a productive experienced crew will be different than for an inexperienced crew. Not all resources are equal, knowing which people are more productive can skew estimates one way or another. We talked with one estimator that used his own

productivity as the measuring stick of how long specific tasks would take. It turned out he had much more experience than anyone on the current crews, he couldn't understand why labor estimates were so far off the actual project costs.

Things happen on projects that end up costing more or less than expected. Arguably no estimate can be expected to be perfect, but the job must always make money.

Let's look at the basic process...



Who does estimates?

Not all companies have dedicated estimators, often this perilous responsibility falls on someone with experience, such as a Project Manager or Superintendent. Estimators come in many flavors from the junior/entry level to the old senior with decades of experience and certifications like a Certified Professional Estimator. Improving estimate accuracy should include both the estimator and the Project Manager that has to manage the project budget.

Who Manages the customer?

The customer should be managed by a team that includes the salesperson, the project manager, as well as other project team specialists as required. If you have dedicated salespeople that manage customer opportunities, then the salesperson is likely the front line of customer engagement. They are tasked with maintaining the customer relationship through the next opportunity.

Capabilities and People

Understanding the capacity of a team to execute work is an important part of estimating costs and timelines. Generally, labor is the largest variable cost on a construction project. Schedule teams and crews strategically with a balance of experience to complete jobs based on quality and cost.



“The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time.”

– Henry Ford

Sales Process

The sales process will differ among companies, but it generally goes something like this: an opportunity is identified through an existing sales process. Depending on the stage of the project, an estimator walks the site and generates an estimate that is marked up for a quote or bid, and the salesperson studies the RFP and sends it off to the customer. Some companies are so busy they just answer requests, others are more aggressive and have inbound and outbound sales initiatives.

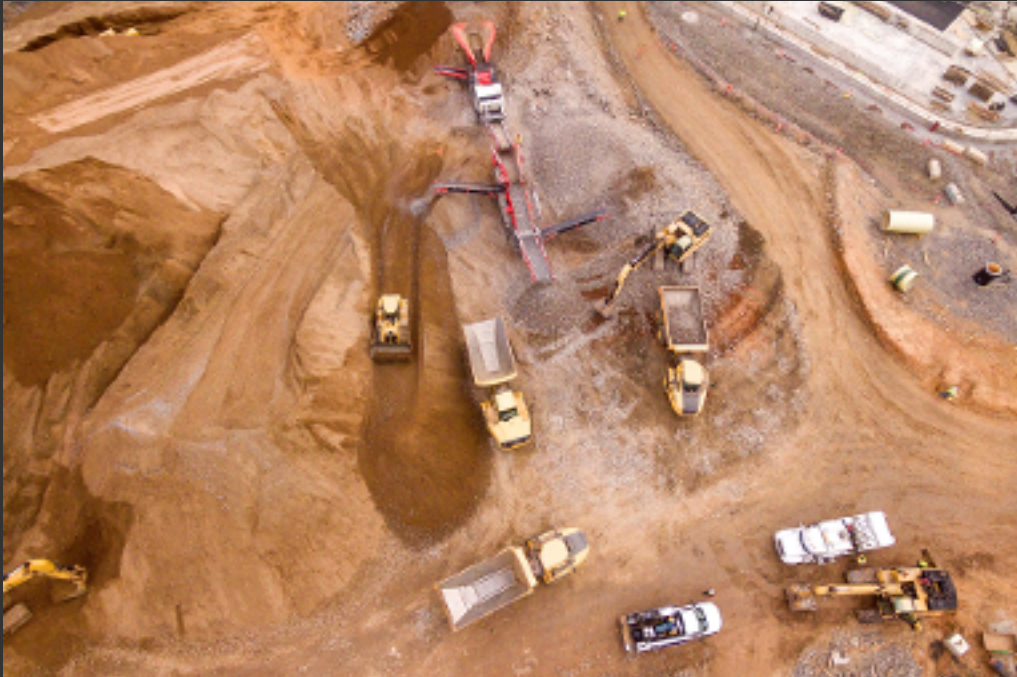
Whether it's simply responding to bid requests or you have salespeople that actively cultivate opportunities, the estimate accuracy is pivotal in successfully growing your company. Building and maintaining customer relationships are the foundation of healthy business growth. A healthy dose of customer service goes a long way toward customer satisfaction and repeat business.

In simple terms, someone should be maintaining the all-important relationship with a customer. The basic sales process works something like this:

1. Inbound and outbound sales prospecting
2. Connecting and qualifying potential customers to find out what they need
3. Estimate and quote/bid what the customer wants often includes walking the site or blueprints
4. Gather any subcontractor costs you need
5. Create the bid/quote with pricing based on customer input (never hurts to ask), known competitors, and known scheduled capacity and other factors
6. Send the bid/quote to the customer, may involve a round or two of changes
7. Close the deal with a signed contract or agreement



Your company's ability to close profitable projects will determine if you thrive during growth periods and survive during downturns. It is important.



“Most people spend more time and energy going around problems than in trying to solve them.”

- Henry Ford

Project Execution

Once a project is won, a Project Manager or Superintendent will often interface directly with the customer. The estimate converts to a project budget when the customer signs the agreement or contract. The owner (customer) that decided to contract with you may not be the person that's managing the customer side of the project.

Your customer will expect you to have a plan and a scheduled timeline. General Eisenhower

famously said, “No battle was ever won according to plan, but no battle was ever won without one.” There are many contacts that you need to coordinate with and keep informed during the execution of your project plan. Effective communication is an opportunity to stand out above competitors and develop a strong customer relationship.

Here is a basic project execution process:

1. Know your people: who has what certifications, badged on which jobs, licenses they have, and how productive they are
2. Establish communications, this may include recurring meetings, phone calls, emails, text messages, and other software, such as CrewBuilder
3. Create your plan and schedule the resources you need, plan for delays
4. Expectations should have been spelled out in the contract or agreement, make sure you go over project expectations and timelines in your first project meeting with your customer; inform them on potential issues that could cause delays, such as weather, ordering custom materials, and others
5. Set deadlines for customer responsibilities and decisions, especially for things that could cause project delays
6. Communicate progress on a regular predictable schedule, this could be weekly, bi-weekly, or even monthly
7. Follow-up regularly, especially if it's just to say that everything is on schedule



Unforeseeable things happen to projects most of the time, a scheduled plan is the first step to managing the chaos encountered on a project site. Plans will change and schedules updated.

Bringing Estimates Full Circle on Projects

Here is the important step the vast majority of companies forget to connect: comparing the actual finished project costs with the original estimate.

Comparing actual and estimated project costs provides an essential feedback loop on improving estimate accuracy.

Successful estimates turn into projects, when those projects are successfully executed, they often become templates for similar projects. Templates are good, they provide time efficiencies enabling faster customer bids and quotes.



Remember, almost nothing ever goes according to plan. Here is where you build estimating experience: when budgeted line items (estimated) come in over or under estimated, project managers often move budgets invoicing around to compensate to keep the project profitable. These changes are rarely tracked or

given back to the estimator for improvement. Without this feedback, an estimator can have a false sense of estimate accuracy. Armed with bad assumptions, an estimator's accuracy drops and opportunities are lost and project profit eroded.

What now?

It's time you examine your existing process for improving estimates and create a strategy for implementing the feedback loop comparing estimated and actual project costs. You can manually create your continual improvement process; however, you should take advantage of existing tools that can automate tracking estimates and project costs. We invite you to try CrewBuilder at no cost to see how easy it can be to start improving your business.



www.crewbuilder.io

