

15 Tips from Subcontractors to Catch Unforeseen Costs in Your Bids

At our September 2023 Subcontractor Meetup, we gathered experienced subs across the US and asked them for advice on how to capture unforeseen costs in their bids. Here's what they said:

General Tips to Avoid Unforeseen Costs:

- 1 Involve multiple team members at every stage of the bid:** Hold bid meetings to maximize team communication and gain different perspectives on which items could turn into unforeseen costs. One sub recommended pre-bid meetings, mid-bid meetings, and post-bid meetings between supers, PMs and field ops teams. They characterized this as a well-understood, essential process in their company.
- 2 Invest more time in vetting projects and GCs:** Be extremely selective in pursuing RFQs. Consider the feasibility and profitability of each opportunity, but more importantly, consider the GC. Aggressively vetting the GC and project is a tactic to fight unforeseen costs in and of itself. Build a list of questions to ask yourself before moving forward with a new GC. Assess them based on factors like payment timeliness and contract negotiation flexibility.
- 3 Thoroughly review architectural drawings:** Ensure all details of a drawing are considered during estimation. Look for drawings where the execution on your end would look odd, get expensive or be otherwise out of your wheelhouse. Unforeseen costs are more likely on unfamiliar projects.
- 4 Use software over spreadsheets to maintain data integrity and consistency:** Spreadsheets can be easily messed with, and generally have too many cooks in the kitchen. Software is cleaner and helps you keep your numbers in line. Utilize software solutions like Knowify and eSub to enhance bid accuracy and project cost tracking.
- 5 Embrace skepticism:** One sub offered an anecdote about working with a team of estimators who swore up and down that they had a golden system that produced near-perfect numbers. However, no matter how strong you think a bidding system is, subject it to additional scrutiny. Be skeptical. After putting that golden bid system to the test using new software, the sub found that this allegedly great system was leaving 10% on the table. Unforeseen costs are going to hurt even more when you could have seen them coming.
- 6 Communicate your schedule needs early:** Be clear about how many days you need to get your work done and do that communication early. One sub explained that he gets started long before there's any detailed master schedule. Nevertheless, he communicates the duration he needs for deliveries, installation, etc, and qualifies the bid with data to support that. That way, when the schedule does come out, if it's radically different and doesn't accommodate their needs, they can point to the schedule that they already communicated as a necessity. In construction, transparency can be used against you – but in this case, transparency gives you something to fall back on.
- 7 Talk to the GC about the unforeseen costs in your bid and explain why other subs are coming in lower:** Once you pin down more unforeseen costs and start wrapping them into your bids, there's a good chance your numbers will look higher than other subs. While your bid is more thorough, it could make less forward-thinking subs look more appealing to the GC. If you suspect you're losing jobs for this reason, talk to the GC about why you're bidding the way you are.
 - a. Assert that it's not hypothetical:** Explain why an unforeseen cost is in your bid – you've encountered it before – it's not just speculation on your part.
 - b. Inquire about the performance of the lower-bid sub they hired:** Follow up with the GC on whether or not the lower-bid sub performed well, or if it turned into a change order fest. This may support you in justifying some of your line items to the GC. The contingencies speak to your experience and the quality of work you can do. It may not win you the individual project, but it opens up future conversations and sets you up as a true partner to the GC.

Strategies to Get Better Pre- and Post-Bid Feedback

Subs at the Meetup pinpointed GC feedback on their bid as an important way to refine their approach to bidding on unforeseen costs. But, it's easier said than done, and GCs don't always give you the info you're looking for. Here's what you can try to get more of the info you need:

- 8 Use pre-bid conversations to present yourself as an expert to the GC:** If you have trouble getting post-bid feedback from the GC, consider starting that conversation earlier. Tell them you need to clarify some things on the scope before you bid, to start a conversation. Use that space to provide value and set yourself up as an expert. Tell them what you're thinking about the project, ask them "Have you thought about X? Have you considered Y jobsite logistic?" This helps you secure a good contact and convey value early.
- 9 Don't ask for specific numbers:** When a supplier asks you how their numbers stacked up against other vendors, it puts you in an awkward position. To avoid putting the GC in the same position, stress that you don't need to know specific numbers, but ask for specificity in other ways. Start with asking whether you came in high or low. If you came in high, ask what kind of contingencies might have been excluded by other subs to get a better idea of what other subs aren't thinking about.
- 10 Value engineer for the GC like you would for yourself:** If you notice the GC is using some unnecessarily extravagant material, like a \$30 tile from Italy, let them know they can save money and improve their margins with a more cost-effective material that you recommend. This helps you provide value. Even if they don't go for it, you're establishing dialogue between the admins doing bid tab work, which could help you get more transparent communication for the bid post-mortem.
- 11 Get your bid in early:** To set yourself up for success, get your bid in a day or two early. Don't be the sub who submits at 11:59 when it's due at noon. This helps you help the GC, so they're not waiting around to see what bid they're going to add into their own. It also gives you more time to open a conversation with them. If you're worried about having your number shopped around for submitting too early, then you're not working with the right GC!
- 12 Overcommunicate on exclusions:** If you have big exclusions for any reason (like fighting unforeseen costs), follow up with the GC as a courtesy and say "Hey, I just want to make sure you saw this," to protect them from winding up with some kind of gap in the project. If they appreciate the effort, it may help you get that eventual feedback you're looking for.

How to Fight Specific Unforeseen Costs:

- 13 Double check with your insurance reps:** Communicate with your insurance representatives to ensure you're protected on every project. This way, you don't run into any nasty surprises about some hidden stipulation in some document that says you're not covered under X project conditions. And of course, embed the cost of your insurance into your bids.
- 14 Include contingency charges for unnecessary mobilization as a line item in your bid:** Don't be put in a position where a GC schedules you to do work when they're not even ready for you yet. For example: scheduling you for things you can't get done until the trade behind you gets their work done. This deters clients from unnecessary mobilization requests, and helps you cover the cost of unnecessary mobilization.
- 15 Improve communication with GCs to adjust costs based on schedule changes and delays:** Be firm with the GC about cost adjustments if a project is delayed or runs over time. Go back to the GC after a big delay. Get with them if the schedule changes and tell them if/how your costs have to change. Maybe material costs went up during the delay, or you have to bring in more manpower. You can go so far as to put these provisions into your bids and contracts.