

*Factors That General Contractors And Trade Contractors Consider When  
Deciding What Projects To Bid On*



*By  
Earl Myler  
Chairman*

Most people do not realize how costly it is for a general contractor or trade contractor to prepare a responsible competitive bid for a construction project. Not only does it take a lot of time and money to prepare bids, it is not uncommon to be successful only 10% of the time, which means the contractor gets only 1 contract out of 10 bids submitted. This is why most contractors experience overhead costs of 13% to 21%, which they have to add to the costs of the projects they do get.

When considering what jobs to bid or not to bid, contractors will look at all factors that are advantageous to them in winning the contract. They will look at all the risks involved, including the cost to them of preparing the bid. The most significant factor considered by contractors is whether there is a high probability of winning the contract. If a contractor feels there is little likelihood of being the successful bidder, he/she will come up with polite excuses and let the competition spend their resources.

Other factors successful contractors look at before bidding a project include:

- **Competitive Environment.** Some Owners feel the best way to get a low price is to have a lot of bidders. However, when there are too many bidders, there is less incentive for the bidders to bid their best price, or even to bid the project at all.
- **Size of Project:** Contractors who bid projects out of their size class either waste their time and money in continually being unsuccessful bidders, or risk the possibility of winning contracts that will prove unprofitable to them in the long run. Large contractors usually cannot make a profit on small jobs, yet are very efficient and competitive on large projects, whereas smaller contractors can usually make a profit on small jobs, but don't have the capability of handling large projects.
- **Type of Project:** Most contractors bid on projects that fit into the contractor's capabilities and experience. Contractors who do residential work are unlikely to bid on commercial projects. Contractors who specialize in shopping centers or warehouses, etc. are unlikely to bid against contractors who specialize in building churches or sky scrapers or hospitals and vice versa.

- **Personnel Availability:** If the contractor has all of his experienced supervisory people busy on other projects, it is unlikely that the firm will submit a bid on a project. Contractors are reluctant to bid new work when an experienced, dependable superintendent is not available for the project. However, if a contractor sees he/she is nearing the end of work on projects underway, bidding on projects that can be started as other projects end will commence.
- **Architect Reputation:** An Architect's reputation in dealing with contractors has a big impact on whether contractors will bid on a project. Contractors shy away from architects that produce poor construction documents and/or are unreasonable, unfair, or heavy handed in contract administration. On the other hand, contractors will bid on projects that have architects who have a good reputation for producing quality construction documents and who are reasonable and fair in dealing with contractors.
- **Project Financing:** A contractor will submit a bid only if there is a reasonable belief that financing has been arranged for the project and that the Owner is ready to award contracts and proceed with the work. To make sure bids are going to be submitted by responsible, dependable contractors, it behooves Owners to make sure the bidding contractors know financing is arranged and the project is going to get underway.
- **Fair Bidding Environment:** Experienced contractors want to make sure the bidding environment is favorable for bidding on the project and winning a contract. Those Owners that want a particular contractor to do the project but want other contractors to submit bids to keep their favorite contractor honest gain a reputation for being dishonest in their dealings. It costs time and money to prepare bids, so if an Owner already has pre-selected who will be the contractor, the Owner is basically stealing time and money from the other contractors by using them in this way. There are better ways to keep a pre-selected contractor honest, such as using a cost plus type of contract.