

Remodeling Estimating: How Not to Lose Your Shirt on the Next Bid

Did you end up paying the homeowner to do your last remodeling project? You thought you had applied enough of a markup to be profitable, but realized you actually lost money in the end. It took a lot longer than planned to demo the wall in the kitchen. You forgot that the new hardwood floor would require shoe mold around the cabinets. And the last-minute change order for a tile backsplash upgrade was a total disaster.

Does any of this sound familiar? Hopefully not, but we talk to a lot of remodelers who are encountering these and similar problems. Given the large number of bricks and sticks involved in a typical remodeling job, these issues are understandable and expected when generating bids by hand. Fortunately, many of them can be avoided or entirely eliminated by implementing effective cost estimating software.

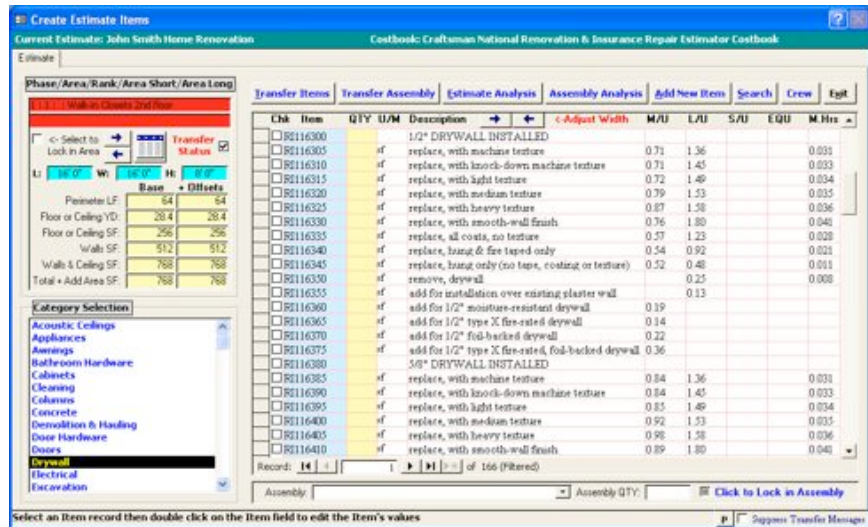
Remodelers do not need to hire an IT staff and spend thousands to get an estimating system that can address these problems. Fact is, the 21st century has arrived and technology is cheaper and easier-to-use than ever. So let's take a look at how a relatively small investment can have a profound impact on these difficult aspects of your business.

Knowing Costs Instead of Guessing

Too many remodelers rely on past experience and personal knowledge to estimate the costs of a project. With material and labor prices constantly changing, these "guesses" often become just that. Theoretically it would be possible to call your building materials supplier and inquire about the costs of every material right before starting a project. But what about labor? If you're not totally sure, you'd probably just bid a fair amount and hope that the markup is enough to keep you making money.

Fortunately you can eliminate a lot of this guesswork with cost estimating software. Today's remodeling estimating programs come with cost databases that have up-to-date pricing information on thousands of construction materials. Bid4Build, a popular database that is offered with many remodeling-focused programs, includes prices for the materials that you would use in a typical job – lumber, drywall, trim, etc. It tracks pricing trends and costs from different building suppliers all over the country. This eliminates the uncertainty involved with manual estimating processes and gives you a solid starting point in your bid.

And what about labor? You know that labor downtown is going to cost more than out in the suburbs. Databases such as Bid4Build typically have several regions for each state to account for geographic pricing trends. Furthermore, updates are introduced every few months to reflect the changing prices for materials and labor. A thorough and up-to-date cost database is the foundation of an effective estimating program.



A construction specific cost estimating system like [Bid4Build](#) allows you to track costs on thousands of materials using an up-to-date cost database.

Pre-Built Templates: Saving You Time and Headaches Since 1998

Most remodeling contractors estimating by hand are very aware of how much time they spend creating detailed bids: too much. With today's cost estimating systems, you don't need to spend several hours or days generating a bid. Pre-built templates allow you to generate bids for typical projects – such as new additions, bathroom and kitchen renovations, and window replacements – in minutes.

Most estimating programs come packaged with a number of these assemblies and templates. By selecting the type of project that one is bidding on – a bathroom remodel, for example – the program automatically generates a list of materials needed to complete a typical job. From there, you can adjust the quantities to reflect the specific job. Two sinks instead of one? A top-of-the-line Jacuzzi tub? These specific requirements can be adjusted with a few clicks of the mouse. From here, you are well on your way to generating a bid and are already hours ahead of your peers who are doing it all by hand.


Time savings are not the only benefits to be gained by using pre-built templates. When the program generates a thorough list of necessary materials, the chances of forgetting a key component are almost entirely eliminated. This reinforcement of estimating best practices saves you the pain of confessing to the homeowner that a mission-critical aspect of the job was left out of the original bid. Estimating with templates will often provide extra levels of confidence when bidding on jobs that are outside of your normal line of work. By having a pre-defined list of necessary materials, you can remove the dread and fear of submitting an incomplete bid. Most systems even let you save completed bids so that you can use them later for a different job. All of these aspects of pre-built templates allow you to turn bids around more quickly and confidently, ultimately protecting your bottom line.

Raising the Bar on Professionalism

Let's assume that your client is approached with two bids. You feel like you're being professional because you didn't hand-write yours. It was cut and

pastored from an old bid, but you submitted a pretty detailed description of the project and gave a competitive estimate. Your competitor, however, submitted a five-page document with a highly detailed list of every material to

be used for the job. He even outlined different scenarios for the homeowner, explaining exactly what the different costs would be for each decision. His bid was slightly higher, but the intangibles – a thorough document, a professional image, and a sense of legitimacy – more than made up for it. Which bid do you think the homeowner will accept?



Your Company Name
 Your Company Address
 Your City, State, Zip
 Your Phone Number
 Your Email Address

Customer Information

John Smith
 1234 Transportation Highway
 Tampa, FL 334123432
 John's Trucking
 Have been working with John for over 1 year

Project Information

Ref # 3
 Work (878) 234-3243
 Mobile (878) 234-8474
 Fax (878) 263-9485

Name John Smith Office Addition
 Type Commercial
 Estimate Prepared By: Bob Jones
 Jones Estimators Inc.
 7878 LongviewWay

Project# 1
 Contact# (878) 387-3333

Proposed Start Date: Wednesday, August 06, 2003

Estimate Information

Terms: We are pleased to submit to you the following estimate
 All Framing Work is to be done by Employees of ABC Construction.

Description	QTY	UM	Material	Labor	Subcontract	Equipment	Cost
Bedroom 1 - 2nd Floor :							
Gypsum Drywall and Accessories							
GYPSUM DRYWALL, 1/2" PLAIN BOARD							
Walls	328	SF	0.37	1.44	0.00	0.00	593.68
Ceilings	104.5	SF	0.42	1.72	0.00	0.00	223.63
Gypsum Drywall and Accessories Sub Total (with quantity)			<u>165.25</u>	<u>452.46</u>	<u>6.89</u>	<u>0.00</u>	<u>817.31</u>
Area Sub Total (with quantity)			165.25	452.46	6.89	0.00	817.31
Bedroom 2 - 2nd Floor :							
Gypsum Drywall and Accessories							

Construction specific estimating programs like [Bid4Build](#) allow you to forward detailed material and labor costs directly into a proposal.

Leading estimating programs contain a number of these features that help users present higher levels of professionalism. After walking the user through the steps of creating a bid, complete with alternate scenarios, the software sends all of this data directly into a proposal. The proposal contains lines for every material to be used for the job, including their associated quantities and costs. Some systems even let you insert a company logo, add your own text throughout the document, and present a detailed payment schedule.

Aside from presenting a professional image, automatic proposals prevent you from forgetting any materials at the last minute, or from cutting and pasting the wrong information from a previous bid. And since the proposal is automatically generated, you won't spend hours modifying an old bid and checking your work to make sure you didn't forget anything. Your complete bid will be ready in minutes instead.

And what about change orders? There certainly has never been a remodeling project without one. Everyone knows what a pain they are. They can often require as much forethought and attention to detail as the original bid. Fortunately, most programs generate complete change order bids as well. No more forgetting to account for an aspect of the project or grossly underestimating the amount of work required. It will all be handled in the program - saving you time and effort, and raising the homeowner's level of confidence in you.

Conclusion

We all know how tough the remodeling business is. The balance between winning the bid and maintaining profitability is notoriously hard to strike, especially when the market is slow. So instead of underbidding to make sure you get the job and then figuring out later that you lost money, pick up a professional remodeling program. You'll be able to tell right away what you

need to charge and when you should not lower your bid anymore. And the time savings will allow you to actually do your job instead of think about it. You'll be amazed that it won't cost an arm and a leg to prevent yourself from losing your shirt on the next job.

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