How Do You Estimate New Material?

One of the several projects I am currently bidding has a specification requirement for a material that we have not used before. It is actually a fairly new material that has been out on the market in our area for only about a year. Since we have not used it, I am not really sure how to properly bid using it. We all have been in this position before and will be again. The question of the day is, what are the procedures that we should use to properly evaluate and then bid a new material? If we are not comfortable with the costs of a material or technique, what are the steps that we can use to bid in such a manner that we remain competitive, yet properly priced? Here is what I try to do.

Once I read the specifications and identify that this project requires something I am not used to, I immediately contact the local suppliers. Most of the time, I contact three or four of them. I get from them the manufacturer and the basic pricing information. I also ask them for help contacting the manufacturer.

I then contact the manufacturer and request a presentation. Naturally, coordinating this takes time as the local representative may have to defer to a national representative, or just may not be able to accommodate my schedule and/or the bid schedule. Most of the time, however, I am able to get a presentation. I specifically want to know from the representative the installation techniques, performance capabilities, installation dos and don’ts, and warranty information. I know that the information I get will be biased, so I try to gather as much as I can. I also specifically ask for references and specific projects that have used this material.

The next step is to identify a subcontractor who has already used the material. Maybe there is a local competitor that I am friendly enough with who will go over the information with me. Of course, if the competitor is local, the first question I ask is if they are bidding the same project I am. If not, I ask for their help. If so, I move on as our conversation would put both of us in a compromising position. Several times I have had to contact a subcontractor I do not know. He may be in a completely different part of the country, for example. (That is one reason why we are AWCI members.) Whichever the situation, my personal experience is that the information I obtain from a fellow subcontract is usually very good and reliable. Several times I have helped my competition with conversations like I explained, and several times I have been the benefactor of another’s experiences.

Another valuable source of information is the workers themselves. You might be able to find workers who have worked for a different company using this project. I ask my foremen to find out as much as they can. I give them a list of questions that I would like to have the answers for in order to properly evaluate the costs associated with the new material. Many times, I get information back from the field within a day or two.

The last option for us is to construct a mockup. This is always my last option because it is very time consuming and costly. If I have to construct a mockup, I again ask the manufacturer for help. I expect the rep to assist with the costs of the mockup as well as be actively involved in the entire process. We construct a mockup that will allow me to compare the new material with the installation of a material that I am comfortable bidding. By using a comparison material, I can establish production information that I will need to price.

As soon as I gather enough information, I make my assumptions and put my bid together. I do one thing differently, though, when putting the bid together. I isolate the new material costs. I then evaluate the risk of this material as it affects the overall bid. If this material has an overall labor and material value that is consequential or is a sizeable part of my bid, then I markup the bid accordingly; the greater the risk, the greater the return. However, if the new material isn’t an impact, then I mark up the bid according to that as well.

I wish there was a better way to gather, analyze and price new materials. We all know the problems and risks associated with new materials and techniques. As experienced estimators, we all handle these situations all too frequently these days. While I do not have all the answers, I do hope that this information might assist you in some way with your day-to-day bidding.

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