



The Art of the Purchase

By: Mark A. Henderson
President - Builder Purchasing Services

Volume I: Preparing for the Buyout – Plan Review, Scopes of Work and Material Specifications

When preparing for the Buyout or bidding of a project, there are several crucial tasks that must be performed. Plan review, refining the Scopes of Work, creating the Material Specifications, bid pricing documents, deciding what will be offered as standard options, setting up your purchase order database, Instructions to Bidders and assembling the preferred Trade Partners list for bid.

In this first volume of The Art of the Purchase, I will be addressing the importance of the integration of Plan review, the Scopes of Work and Material Specifications, and how this process will lead to a more predictable budget as well as lower the variance purchase orders on a project.

Plan Review - The Plans for a project drive the rest of the process. Thus, Plan review is the first step in assuring you will be able to execute an accurate Buyout. This process begins when the Plans are around 80% to 90% complete since Purchasing is *not normally* involved in the design phase. Although it is the architect's responsibility to make sure your particular plans meet all the required municipality codes, it is imperative that you also review to verify these plans are in compliance. This is also a good time to review what the architect has spec'd out for certain products. The architect, like most individuals in the building industry, tend to have their favorite manufacturers. For example, if you want to use Boise for your engineered wood products, this is the time to have the architect specifically call out Boise. This also applies to any other manufacturer's products you want to market by name. On the other hand, the architect may also use the often present "or equal" qualifier, so you can change to the manufacturer you want to use when modifying your Scopes of Work and Material Specifications.

Material Specifications – Since most of the designer finishes are either selected by sales or interior design firms, your input there may be limited. However, you want to get the sales, construction and purchasing teams together to discuss and select the manufacturers and specific product specifications. Since this document will be crucial in assuring that you have apples to apples bids from your Trade Partners, you need to be very specific. Your designers for example have called out for your faucets to have an "oil rubbed bronze" finish. If you put just "oil rubbed bronze faucets" in your material specifications, your plumbers will bid different styles and manufacturers. But if your material specifications call for Price Pfister Avalon Series in Oil Rubbed Bronze and are broken out by model number for each bathroom, you will get apples to apples proposals. This scenario applies to every product in your homes, from entry doors and windows to furnaces and roofing. *Be Specific*. If you have everything in black and white, there are no gray areas and therefore, you leave nothing to be interpreted by your Trade Partners. This is also the time to select manufacturers that are in any rebate programs you have. For instance, if you belong to Builder Partnerships (www.BuilderPartnerships.com), you should maximize their manufacturers that fit best with your product, thus maximizing your rebate.

Scopes of Work (SOW) – This is the most important document in setting expectations with your Trade Partners. The SOW should first reference the Project Name and Location. The municipality is paramount in assuring that the applicable building codes are in place. Next, they need to reference the codes that are to be enforced for the project and the plans, architect and date of which the proposal is based. Now, we get into the specifications, which will be specific for each trade. You need to make sure that the **Scopes of Work** match the **Material Specifications** which also must match the **Plans**. This is the most important element in the Buyout. By matching all three documents specifications, you have removed any inconsistencies and set expectations for your Trade Partners that this is your product and these are your specifications. Additional information included should be Ethics and Expectations or how your Trade Partners and their employees conduct themselves on your project, warranty expectations and company policy as it relates to any variances requested by your Trade Partner. It is fairly standard for your Trade Partners to warranty their work for one year from the closing date of a unit. For categories such as HVAC and Plumbing, a two year warranty is fairly standard. As far as Variances, the Best Management Practice is to not allow your Trade Partner to perform any variance work prior to receiving a variance purchase order. This ensures that the cost of this variance has been put into your budget and eliminates surprise overruns that will undoubtedly show up at the end of the project.

By following the procedures suggested above, you will be more prepared and more confident in performing your buyout. And because of this preparation, your Trade Partners will also be more confident in putting their proposals together.