

The Art of the Purchase

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Preparing for the Buyout: Volume III– Preparing Your Instructions to Bidders

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 third volume of The Art of the Purchase, I will be addressing the importance of Preparing Your Instructions to Bidders.

Instructions to Bidders – The Instructions to Bidders is where you set your expectations for your Trades and Suppliers. You are the one who is providing them an opportunity to work on your project. Therefore, you have the right to have the Buyout (Bidding) executed per your standards. Be specific on what those standards are. If you have the luxury of a Bid Portal, this is the best place to post these instructions. If not, include them in your bid package if you are performing this manually or in the Invitation to Bid if you are doing this electronically.

What do you need in these Instructions? That depends on how much control you want to have over the process. I would like to suggest the following:

Provide a description of the project. Where is it located, how many units or homes are to be built and what is the start date and projected build out of the project. This will help them provide a more accurate bid because the time frames have been defined.

List contact information for specific questions. Who do they call for questions about filling in the bid document or the Buyout Process in general? Who do they contact for specific questions regarding the Scopes, Material Specification and Plans? By providing this information, it gives them a clear path of where to go for assistance.

Provide the location of the Bid Documentation. If you have a trade portal, tell them how to access the information. If you are executing the process manually, tell them where they need to pick up the information.

Set the date for submittal. Let them know what date and time the bid is to be submitted and that after that designated time, the bid is closed and no more proposals will be accepted. Of course, we all know that 80% of the bids will come in the last 24 hours. Trades do tend to procrastinate. During the process, you may want to send out reminder emails for the bid deadline every three days or so. This tends to keep you on their minds.

Set expectations on how the proposal is to be submitted. Provide an example of a Bid Document and an explanation of what the Trade/Supplier needs to fill in. A lot of Trades think that they can submit the bids anyway they want. Make it clear that if the Bid Document has line items for Material and Labor, that's what they need to provide numbers for. And make sure they understand that all option pricing listed on the Bid Document must also be included. Define what their backup to that document needs to contain. The backup should be specific to the Scopes, Material Specifications and Plans. I know that sounds redundant, but those of you that have been in the industry a while know that the Trades/Suppliers will bid a different manufacturer or provide a different product due to their relationships or in order to provide a lower bid. Make it clear that they are to provide a proposal based on the posted documentation. Also, let them know that you welcome any suggestions/options they may have to help "value engineer" your product and they may include "optional" pricing for those.

Consequences for not following the protocol you have established in the Instructions to Bidders. You need to let them know that this process must be followed in its entirety for their proposal to be accepted for consideration. The more you allow them to veer from protocol, the more work it is for you. There is also the probability of errors leading to budget overruns.

Communicate with your Trades/Suppliers. One of the greatest mistakes a Builder can make is not communicating with their trades while reviewing the bids or after selection of those awarded. Your partners have put a lot of time and effort into compiling their proposals; they deserve to know where they were in the bidding and why they didn't get awarded the project. They will respect you for taking the time and it will help them on future proposals, not only for you but for their other potential clients.

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

