

Thanks to David Mendes; ASA Editor here, for the opportunity to express my view and hopefully continue to help subs and suppliers succeed in the bid market. We are presenting this subject July 11, 2007 at the National ASPE Estimating Academy in Park City, UT the American Society of Professional Estimators. Why ASPE? Because every construction company has an estimator or estimates, it is how we retail our work. Providing better bids from better Estimators is a great goal for all of us and applies to each of us too.

Before we get into the practicality or potential of claim prevention a scope letter may represent, let's talk about some other reasons for using a scope letter. First, let's establish exactly what a Scope Letter is and how simple they can be. 'Scope' is to be defined here as the specialty trade(s), tasks or products you may be providing, installing or both. IE: Your intended scope of work. Foremost, it is a marketing tool. It can be as simple (almost without exception) as a one page document or letterhead showing the project name you are bidding; what CSI divisions and sections you are providing; how many addendums if any, you have seen at time of writing; name of Architect and date of the drawings handled; what you will do (inclusions); what you won't or don't want to do (exclusions) with a space to write in a future price. Again, all on one page if at all possible. Another way to create them is to look at a current, typed (never hand written) bid from your company. Take the price and signature off, and you probably have a potential 'scope letter' example.

Note I mentioned the term "intended". When used as a bidding tool, describing your scope of work is your first attempt to establish what your firm would like to do on a project and ultimately receive in a contract; our purpose here. There are many potential variations of scope a general contractor may see in your trade on bid day so if he has not presented what they need from you in a published scope or ITB Invitation to Bid, it is a great way to express certain items he can count on for pricing. Your customer may need to have you adjust your intended scope to match others expected or simply to help buy out certain items they need help with. Customers like problem solvers. So if you can be flexible enough to handle their challenges, allow time enough for the research, it could be profitable to find and add certain items. Or not. Know your limits, buying power and abilities. Plus consider the time involved to track those items down when delivering or adjusting your scope letter. By the way it is appropriate to revise & re-publish the scope letter when necessary. Take care of basic business here too. Address sales and use taxes, insurances, etc. Don't make them ask last minute or rely on their application or assumption of its worth or cost to your firm.

Most bids are just an advertisement. We'd all agree that a certain number of bids are wasted or lost. So use them as a marketing opportunity, make them clear, clean, and concise. They are an advertisement for your company. You can be assured your scope letter and letterhead was delivered to the chief estimator for scrutiny as soon as they receive it, when you may seldom if ever get there yourself. That's a great sales call regardless of the bid result. What better way to let a potential customer know exactly what your firm does, how you will do it, and what if anything you expect from them as your customer.

Any scope letter gets noticed. Once presented, a copy will probably be set right at the reception desk to await your price. It is very professional, a courtesy that cannot be thanked enough for helping get rid of the long clarification discussions that usually occur in the 11TH hour of bid day. It saves time on bid day; for both you and your customer. You have also presented a professional document that is easy for a staffer to handle and add your company to their database for future invitations to bid. May be the tool that ultimately gets bid results in reply. See reference comments to professionalism, that can be a two way street. Most who constantly complain of bidding with no response or results, usually just lazily call their bids in.

Be timely. Do not wait until the deadlines are ready to close to deliver your scope of work with an actual bid. Remember, if the price is on it, that is now a bid. The advantage to allow time to preview your scope and adjust it either way is gone and lost. Publish a scope letter early. As quickly as you can preview the project and establish your intent. Do this for selfish reasons. Writing the outline as you preview the bid documents aids in actually delegating some of the bid process. For some owners that is the first step in not doing all the bidding themselves. Use a sticky note and label buyout items for a subordinate to handle that procurement process we touched on. Remind the quantity surveyor of special take off conditions when found. Previewing the documents or outline itself educates the staffer that will ultimately type the scope letter. Do you all realize how intelligent your firm appears when the person that answers the phone can verify a certain addendum was seen and acknowledged? It's a powerful tool that gets more of the company involved in the bid process. Last minute or phoned in bids hurt everyone. With no time to establish clarity of scope, the only merit your bid can stand on is price alone. The assumption will be is you have everything they intend or can beat out of you later. That breeds the opportunity of a claim down the road.

Use scope letters for clarification of the plans and specifications too. We all know you are working on incomplete drawings more often than not now. Some questions do not get answered in addendums, timely or ever. Some specs do not establish a priority for conflicting redundancy. IE: two or more different or potential scenarios of the same situation or product. Some do have the overall catch phrase "if a conflict occurs the most expensive option applies". Watch for that phrase. It can be found in Division One or on the plans themselves and anywhere in between. Making it clear up front that you intend one or another sets you apart and can create both an advantage or the opportunity to negotiate the other. Lets your customer know which option you used, right or wrong. Allows for an adjustment to another situation if presented.

Early participation and announcement can serve as an ethical means to check yourself and further or continue to clarify scope. Many GCs actually do some take off or can establish volumes or quantity. Getting on the participating team early can establish some line of communication and discussion of special items. For instance, I believe it ethical to ask or compare the lineal footage or volume of a product instead of "how much \$\$ for an item?" Also, if you want to bring attention to an item you found, and are 'sure a competitor will miss'...then mention it on your scope letter. IE: Including the 300 LF of Stainless Steel Railing shown on page M-15; or exclude it in the same manner. In fact, you may have missed it and now you become the benefactor of the timely warning. Plus, now they know you are on their bid team, they will probably keep you posted of updates and addenda; a great benefit and bi-product of the scoping process.

There is one last selfish reason that really adds to the marketability and worth of scope letters beyond claim prevention. We already established that most of our competitors don't use them. So by publishing your intended section early and consistently following up with a legitimate bid instills confidence that your firm has a section covered. It will keep some of your competitors off the job. You all have had the situation where a general contractor called to see if they could get you to bid a certain job. If you could answer them "yes, we are working on it now" you just had first hand confirmation that you should have published that fact previously. If they called you, they called several other competitors too. The GC thought they had a hole in their sub coverage so they added your scope to the last minute call list. A simple form could have kept your specialty out of the trouble zone. Now a bunch of last minute bids are encouraged to jump in, potentially wasting the head start you created.

While we mentioned not pricing the scope document and that it could or should be delivered days in advance of the closing deadline. Timing for actually pricing the job is where your personal skill and experience are key. Do that as the trust a customer has earned dictates. We are not discussing bid shopping here, just warning of the timing. Remember last minute bids hurt everyone, so be both professional and tactful. When pricing a scope letter you delivered previously you will be greeted with more courtesy than any phoned in bid. That I can promise. A simple "this is Tom Jones and I need to price the scope letter we sent a couple days ago" will get you a kind "oh yes sir, I have right here. What can I do for you? or we've been expecting your number" will make for a pleasant bid day experience that will pay dividends when you need something from them. Like a bid result or answering your questions timely. Try it and see.

If we haven't convinced you by this point to start writing scope letters then this may ice it for you. It is the number one tool at your disposal in claim prevention. It occurs entirely prior to starting the performance period. No one has made any errors yet. No one is late yet. You have total control of your intent. Plus when you establish in writing how much your intended scope is worth, it gives you a defensible position to adjust your price or contract value, when your customer expects a difference. At the least it gets you the chance to negotiate the difference on the contract. Scope interpretation is probably second only to performance that can cause a dispute. We all recommend marking up a general's contract with terms that are unsatisfactory to you business, yet seldom can you add the language "and per my verbal quote on bid day" to the document. However, almost any may add "per our published scope of work or bid dated xx/xx/xx" for you. It's that unexpectedly professional and valuable.

Addressing problematic items or terms ahead of bid time, potentially gets rid of it forever for that project. If it becomes insurmountable at that point, let your competitors deal with it and move on or price the job accordingly to manage the trouble. It's better to loose some bid preparation time then the overhead and hard labor when it finally surfaces for the un-weary once under contract. As a former subcontractor myself have made all the mistakes imaginable. I learned about scope letters from a great general contractor's secretary who told me how to get noticed and what helps her on bid day. As a consultant and now plan room owner we still see the same mistakes today. Do yourselves a favor write good scope letters and encourage others, especially your competitors to do the same. An educated competitor bidding apples to apples is a good thing to have. But when you feel an orange is advantageous, tactfully present it and win bids that way.

Respectfully submitted.

Mike Luke

As always, good luck with your bidding
Best Regards

Mike Luke

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