Hello everybody. Dennis Engelbrecht with The Family Business Institute. Welcome to Digging Deeper, our series about specific construction topics that hopefully every construction professional can use to better themselves and better their company.

Today, we're going to talk about bid success analysis. You may have never heard of that, but essentially I'm going to relate a story back to one of my initial consulting clients, which was a general contractor down in Louisiana. So, they were largely a hard-bid contractor, they had pretty good communication. So, when they were low, they knew how much they were low by, and when they were high, they knew how much they missed it by, and they knew what place they were in and all of that.

What they didn't do though is they didn't do any analysis on their past. What happened is, many times, they didn't bid as high as they could have. When they won a job, they often found there was a big gap, they were way low from the other people. And lo and behold, as you go through the job, you find that maybe you had some scope gaps or other things that went wrong, and your profit faded, and really that margin you thought you went in with is not the margin you came out with. So, the bottom line there is they left a lot of money on the table.

One of the things we did with that company is we did a bid analysis. We went back and looked at five years of bids, and basically, we did an analysis to find out if they had added an extra half a point of margin to each bid, how many additional bids would they have lost, how much additional money would they have lost, and how much additional money would they have made. And then we did the same thing for a point over where their bids were, a point and a half over, and even half a point lower and another point lower. And basically, knowing the gross profit you ended up with on your projects, did an analysis on what would have been the ideal bid margin for their jobs.

And what they found was, generally speaking, if they had gone about a point and a half higher on every bid, they would have lost only about one third of their work, and they would have ended up making significantly more gross margin overall, not just on the work that they won, but they would have made significantly more gross profit overall as a company than they did by winning more work at lower margins.

Now the problem with this analysis is how you apply it to the future, because of course each time you're doing a bid, you're trying to always be low by the littlest amount, right? Or sometimes you'll say, "Well, I know when I'm second I'm kind of in the right range."

So, you still have to have a winning bid strategy. But now, armed with the knowledge of this analysis from the past, I can also apply that to my strategy of my bids going forward. And that doesn't mean you're going to automatically go up a point and a half on every bid across the board or anything like that. But maybe sometimes you'll try two and a half, and sometimes it might be one and a half, and sometimes it might be the same place where you would have gone in before. The whole idea is just to make sure that you truly are armed with the knowledge of where that ideal bidding would have been in the past, so that you can apply it to each job in the future.

So, try that, do some analysis, and I wish you good luck with your jobs, winning those jobs in the future, and I'm betting that you'll win more money. Thanks for tuning in. Again, Dennis Engelbrecht with Digging Deeper. We should have a transcript available within 24 hours. And of course, as always, we welcome your comments. Thanks a lot.