Contracts need every trick in the book to find and win the work they need to keep their company productively employed. Many contractors find themselves bidding significantly more work to win less, while their estimating departments are smaller than ever. It simply is not a recipe for success.

The job of estimating is to help win profitable work for the company. An estimator’s highest and best use of time does not include estimating every project; it is about winning the right ones. Half of the estimating department’s time and effort is simply wasted. It is working hard, but does not have the systems, information and support needed to be positioned to win projects. By applying the following three steps, a firm will increase cost certainty, lower the cost of winning work and drive up hit rates.

Knowing the Cost of the Project
How many times have estimators uttered the phrase, “That firm is bidding below cost?” While not all contractors are responsible bidders, many times the default tendency is to attribute this behavior even to good firms. If credible competition seems to be bidding below cost, this may mean that their estimating department has a better understanding of the true costs to execute work. In fact, about 40 percent of firms in the marketplace do not track their costs with significant rigor to conduct a detailed analysis of bid versus final profit.

Many firms are working with cost databases that are a year or more out of date. While the best firms are using real-time cost performance data, at a minimum a firm should be scrubbing its database twice a year to ensure that it is not working with old data from a bygone market. While it would be unreasonable to expect a general contractor or construction management firm to conduct a detailed take-off of each line item on the job, simply “square-footing” the take-off is a surefire way to deny cost certainty. The best firms develop meaningful assemblies they can use to speed up the take-off process while still managing to finish with an accurate cost number in pre-construction or estimating.

Assuming a firm has identified its true costs, it is possible to analyze the competitors’ mark-up strategy and, using game theory, apply optimum mark-ups that allow maximum profitability. Most contractors would never estimate work without having a good idea of what it will cost to build the project. Yet they will decide to estimate work without knowing what it will cost them to win. That makes little sense.

To determine the real cost of winning work, do not forget to include:
1. Marketing costs to keep in touch and warm a potential customer
2. Face-to-face business development time
3. Travel and entertainment costs
4. Time of estimating and operations meetings with the customer, asking good questions and creating potential approaches
5. Estimating time for take-off and pricing
6. Cost of estimating software
7. Printing and reproduction costs
8. Cost of superintendent and project management time to provide estimating support
9. Administrative costs to complete bid package, provide bid bond, track down insurance
10. Senior management time — face-to-face and providing oversight
11. Opportunity cost — what else could have been done

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Applying True-Cost Knowledge

Ultimately, everything a firm does in estimating should be oriented towards one goal – winning profitable work. The FMI Estimating Advantage (see graphic) model examines the five key inputs into the estimating function – Strategy, SOPs, Systems, Subcontractors and Skills – in order to ensure that the firm is able to be as effective as possible in estimating.

- **Strategy.** Without a strategy that provides an edge, the only way a firm can be the lowest bidder is to cut fees. Instead, focus only on project opportunities in which an advantage has been identified.

- **SOPs.** As with project management best practices, consistent estimating practices will lead to greater consistency of results, as well as provide a training curriculum for new hires.

- **Systems.** While estimating technology is not a magic bullet, it is what the military calls a “force multiplier.” In other words, effective technology use can leverage each estimator to be able to accomplish more.

- **Subcontractors.** Without the right partners, a GC cannot expect to be competitive on bid day. Subcontractor outreach and relationship development can be a source of significant cost advantage.

- **Skills.** Pursuits will cost more and be less effective than the competition if the estimating department is over or under staffed, or does not have a balance of skills.

Use these ideas to optimize the estimating function. This investment will improve hit rates on the right work to create a backlog to stay productive and profitable.

Mike Clancy is a principal at FMI Corporation. He works with companies across the country to help them leverage their unique organizational resources and capabilities to build competitive advantage. He can be reached at 919.785.9299 or mclancy@fminet.com. Cynthia Paul is a managing director at FMI Corporation and the practice leader for business development. She works with industry organizations to position them to capture market share and grow profitably. She can be reached at 303.398.7206 or cpaul@fminet.com.
President’s Message

Mike, Wolff, President, Timberwolff Construction, Inc.

It’s with much excitement that I write my first president’s message. I’m looking forward to serving RCA and its membership over the next two years, to continuing the great work done by Art Rectenwald and to starting new programs and initiatives.

The initiative I’m most excited about is the Military Service Initiative, which is being led by Board member Steve Bachman, supported by me, Mike Clancy, Scott Crissey, Carol Montoya, Bob Moore, and Pete Weiland. The committee is exploring ways to work with veterans groups to train and onboard vets into superintendent positions. This meets the needs we as contractors have for a talented and trained workforce, but more importantly, the program will provide opportunities for service members transitioning into civilian life.

Over the past few months, a Scholarship Program task force, led by Scholarship Committee chair Mike McBride, and supported by Steve Bachman, Justin Elder, Steve Olson, and Raj Singh, has had several discussions about the purpose and scope of our scholarship program. For many years we have provided scholarships to deserving construction management students at 18 schools across the country. The committee, with the backing of the Board, is looking into expanding the program into more schools, centralizing the selection process, and attending career fairs to gain more exposure for the retail construction niche.

Marketing and Communications chair Jack Grothe is working closely with our staff on a website redesign. In addition to a front-end “face lift,” we are expanding the Find a Contractor directory functionality with a focus on making the site a valuable resource for retailers looking for GCs.

If you are a primary contact at a member company, you should have received an email for our Salary, Benefits and Vendor Usage Survey. Please coordinate with your finance and HR staff to complete and return a response. The survey will provide vital benchmark information about salary and benefits for field and office staff, and assist the RCA Board in identifying vendors with which to negotiate special programs and discounts for our members. Survey responses are confidential and results will only be shared with those who participate.

We will keep you updated on the progress of these new initiatives. Watch for more information in our monthly bulletin, LinkedIn group, website, and personal contact by our Board members.

Mike — mike@timberwolff.com

Milestone Memberships

Congratulations to our members celebrating milestone membership anniversaries! We appreciate your ongoing support of the RCA!

20 Years
- Eckinger Construction Company
- Marco Contractors, Inc.
- Royal Seal Construction, Inc.
- Schimenti Construction Company, Inc.
- Shames Construction Company, Ltd.
- TDS Construction, Inc.

15 Years
- Montgomery Development Carolina Corp.

5 Years
- Sachse Construction and Development Corp.
- Desco Professional Builders, Inc.
- Acme Enterprises, Inc.

2018 Board of Directors
- Brad Bogart
  Bogart Construction, Inc.
- Justin Elder
  Elder-Jones, Inc.
- Jack Grothe
  JB Construction
- Doug Marion
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- Kent Moon
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Past Presidents

- David Weekees 1990-1992
- W. L. Winkel 1993
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- Win Johnson 2000
- Dean Olivieri 2001
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- James Healy 2003
- Robert D. Benda 2004-2006
- K. Eugene Colley 2006-2008
- Matthew Schimenti 2008-2012
- Art Rectenwald, 2012-2014

- Art Rectenwald, 2012-2014
- Robert Moore 2015
- Art Rectenwald 2016
- Hunter Weekes 2017
- Rick Winkel 2018
- Robert Moore 2019
- Art Rectenwald 2020
- Hunter Weekes 2021
- Rick Winkel 2022
- Robert Moore 2023

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- Steven R. Olson - CSEO Inc.
- Lynn A. Robbins - OfficeMax
- Rajnesh Singh - H&M
- Scott Winstead - FMI Corporation

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- ANNUAL MEETING
  Rick Winkel
  352-860-9500
  nickweekees@winkel-construction.com

- MARKETING/COMMUNICATIONS
  Jack Grothe
  909-993-9332
  jack@JGConstruction.com

- MEMBERSHIP
  Hunter Weekes
  864-233-9261
  hweekes@weekesconstruction.com

- MILITARY SERVICE INITIATIVE
  Steve Backman
  651-704-9000
  sbackman@retailconstruction.com

Safety
- Kent Moon
  262-857-3336
  kent@lwcconstructions.com

Scholarship
- Mike McBride
  817-302-2050
  mikem@westwoodcontractors.com

Sponsorship/Membership Benefits
- Justin Elder
  952-346-6069
  justinfeiderjones.com

Technology
- Doug Marion
  336-861-1960
  dmarion@mrs1977.com

Officer Chairs

- President - Mike Wolff
  Timberwolff Construction, Inc.
- Vice President - Robert Moore
  Gray

Immediate Past President - Art Rectenwald
- Rectenwald Brothers Construction, Inc.
RCA members must meet and maintain a series of qualifications and are approved by the Board of Directors for membership. They have been in the retail construction business as general contractors for at least five years; agree to comply with the Association’s Code of Ethics and Bylaws; are properly insured and bonded; are licensed in the states in which they do business; and have submitted letters of recommendation.
Visit retailcontractors.org

View the profile of each RCA member company. Click on “Find a Contractor” from the home page to search the member list. Each profile includes relevant information, including the RCA programs in which the member participates. Look for these icons!

Please notify the RCA Office (800-847-5085 or info@retailcontractors.org) of any changes to your contact information.

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RCA’s 24th Annual Conference

RCA’s 24th annual conference was held March 7-9, 2014, at the Gaylord Texan in Grapevine, TX, prior to SPECS 2014. With 152 registered attendees, the annual conference hit a record high. The weekend included receptions on Friday and Saturday evenings, a full day of presentations on Saturday, and an owner’s breakfast Sunday morning.

The professional development portion of the conference kicked off with a presentation by Anirban Basu, Chairman & CEO, Sage Policy Group, Inc. His fast-paced session, “Back to the Future II,” was informative and engaging. His tailored information addressed the economic trends that are affecting the retail and construction industries.

Dick Bayer, President, ReAlignment Group, Ltd. and former Interim Executive Director, Lean Construction Institute, discussed best practices in lean construction and provided tips for integrating lean into current projects and processes.

Roundtables hosted by RCA Board and Advisory Board members were a highlight of the conference. Attendees enjoyed the small group discussions and had an opportunity to experience each of the six topics offered: How to Stop Profit Erosion at the End of a Project; Your Worst Nightmare (Horror stories in retail construction, what happened and how did you resolve the issue); Technology in Retail Construction; Lien Law; Client Retention; and Cost Control/Cost Trends. Stay tuned as we compile the input received from table moderators and release it to our members throughout the year.

The final session of the day was a Retailers Panel, made up of RCA Advisory Board members. Moderated by Steve Olson, Vice President, CESO, Inc.,

Networkung receptions were held Friday and Saturday evenings.

Art Rectenwald, Rectenwald Brothers Construction; Mike Kolakowski, KBE Building Corporation; Matt Pichette, Russco; Matthew Schimenti, Schimenti Construction Company; Jerry Rectenwald, Rectenwald Brothers Construction

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the panel featured Mike Glaser, Director of Construction, Sterling Jewelers Inc.; Jason Miller, Director of Operations, Construction Services, JCPenney; Lynn Robbins, Director of Construction, OfficeMax; and Rajnesh Singh, West Region Construction, H&M. They addressed topics that had been requested in advance by RCA members, including the deciding factors when it comes to choosing a general contractor, expectations of general contractors; and how contractors are evaluated.

During the meeting, RCA President Art Rectenwald, presented a certificate of appreciation to Matt Pichette, who served on the Board from 2004-2014. He also thanked and recognized outgoing Advisory Board member Scott Winstead, who served from 2008-2014. Rectenwald received a gift from incoming president Mike Wolff, who officially took office at the conference.

Throughout the day, RCA's Sustaining Sponsors gave brief presentations about their products and services. Most offer RCA-tailored programs or RCA member discounts.

The RCA Annual Meeting planning efforts were led by chairs Matt Pichette, Russo Construction, Inc. and Rick Winkel, Winkel Construction, Inc. Save the date for RCA's 25th annual conference, March 13-15, 2015, at the Venetian/Palazzo in Las Vegas.

Thank you to our underwriters:

Gold: Commercial Contractors, Inc.
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