

## **The True Cost of the “Low-Bid”**

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When you add up the problems which usually accompany the “Low-Bid” and arrive at your true cost, you may be surprised to see how much the low bid is actually costing you in terms of dollars and “sense”.

I am going to share with you a true story and real life example of the problems that the low bid brought to one of our clients.

In July 2003 we had a prospective client contact us from an advertisement we sent him. He was requesting several bids for his portfolio of fast food restaurants. When I had originally met him on the first site, he had expressed an interest in using our company and stated that he was very impressed with our advertising material he was receiving. However, he stated his company typically buys on the “low-bid”. I had explained to him that it was rare that we were the low bid, but I would give him the fairest price I could.

We had submitted our bids and followed up 2 weeks later. When my estimator had followed up with him, he was told that the work was awarded to another contractor who was about 20% cheaper and offered to start the work immediately. (First Red Flag) I personally called back the prospect and thanked him for his time when he came out to meet me and told him if we could help him in the future; please don't hesitate to contact me. (This wound up being a smart choice on my part)

My company was working on a seal coating project a few miles from the one location, so I decided to take a drive by the project to see if anything was ever done. I could not believe what I saw when I pulled up. The contractor had one half of the parking lot blocked off at this fast food restaurant at lunch time on a Friday afternoon???

The following morning, the prospect called me frantically on my cell phone and said, “You told me to call if I needed anything. I am in trouble”. From what he told me, he had a disaster on his hands and he was scared that it might even get him fired from his new position as facility manager. He explained to me that he didn't believe that the contractor followed the scope of work (which he admitted he copied from our bid format), the contractor closed the drive-thru and ½ of the restaurant on a Friday afternoon (which I already was aware of), and cost the store \$3,000 in lost sales and to add insult to injury, an irate customer that was blocked in by an asphalt roller asked the contractor to move the roller, the contractor refused and when asked again, in a fit of rage physically assaulted the customer which resulted in him being arrested and the police blocking off even more of his parking lot.



I agreed to meet the prospect at the site the following morning at 7:00 AM, on a Sunday morning. When I arrived, I could not believe what I was looking at. There was sealer oversprayed all over the curbs, chunks of asphalt laying on the grass, the staging area where the contractor parked his equipment (on a neighboring parking lot) was littered with trash, broken asphalt, oil, grease, spilled diesel fuel, etc., the striping looked as if it was done with a can of spray paint. In short, the job was a disaster.

Just when I didn't think anything could be worse, the Facility Manager informed me that the contractor collected a 1/3 down payment with the contract and a 1/3 payment the first day they showed up (both checks were cashed immediately). After the physical altercation with the customer, the Facility Manager learned from the police that the contractor was living in a trailer park.

**This is what the “low-bid” cost:**

<u>Our Original Bid:</u>	\$28,245.34
<u>The Other Contractor’s Bid:</u>	\$22,500.00

**Here is where the calculations hurt:**

It was determined the following week after we cored the parking lot that the contractor only installed a 1” asphalt overly (not the 2” as specified), no crack sealing was performed, no geotextile fabric was used, two areas of bad alligator cracking were not saw cut and removed, nor was an area in front of the dumpster (which was heaving) replaced with 8” of stabilized base.

<u>Our Original Bid:</u>	\$28,245.34
<u>Power Washing Curbs:</u>	\$850.00
<u>Milling off 1” of asphalt to insure curb elevations are maintained &amp; fabric could be installed properly:</u>	\$5,000.00
<u>Two (2) deposits paid to contractor:</u>	\$14,000.00
<u>Lost business due to drive-thru being closed:</u>	\$3,000.00
<b>TOTAL COST</b>	<b>\$51,095.34</b>
<b>COST TO GO WITH “LOW BID”</b>	<b>\$22,850.00</b>

