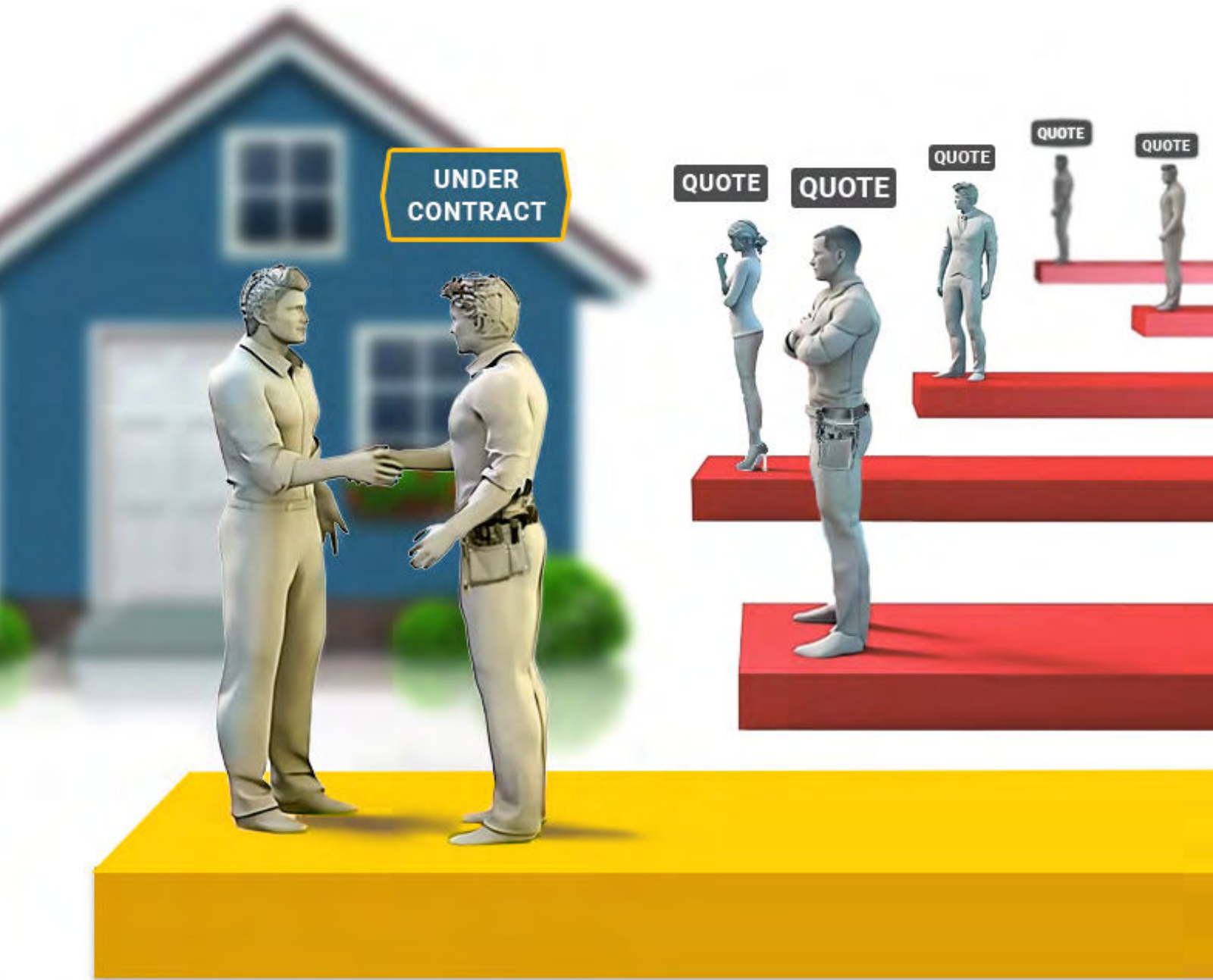
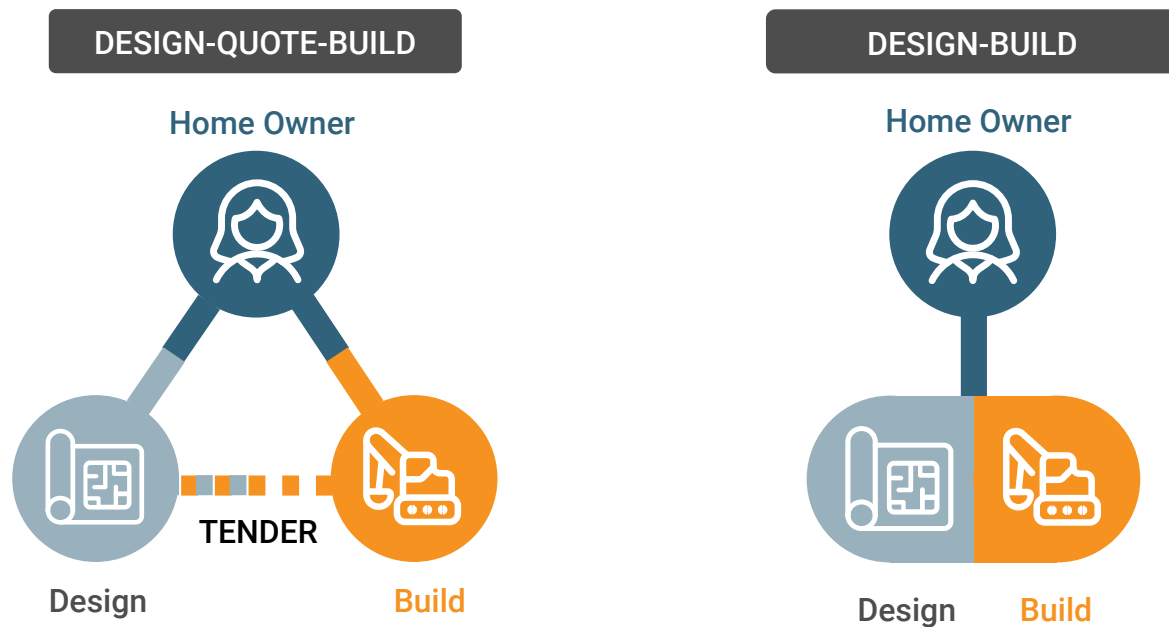


eBook

# WHAT IS TENDERING IN HOME CONSTRUCTION?



As a residential home builder, you're no doubt familiar with the two main approaches to home construction: design-build and design-quote-build.



Many builders prefer the upfront involvement that comes with the design-build approach. In this model, builders and renovators work with architects and designers to plan a home project. The builder typically has a say in the design of the plans used in a home construction project from the very beginning. However, this approach is problematic in a competitive housing market where builders have to be open to working with less upfront involvement.

Alternatively, for projects that use the design-quote-build approach, the builder typically becomes involved in a home project after the design and plans are complete.

In design-quote-build, the builder wins a job by submitting a successful response to a customer's request. The request is made based on completed plans through a formal offer that kicks off what is called the tendering process.

Because participating in home building tenders greatly expands opportunities for new business, let's cover the basics and discover how you can use tendering to grow your business.



# How the tendering process works

Most likely you've come across tenders if you've done work for a public agency or any other type of government organisation. Typically, federal, state or local law requires tender offers be made public so as many qualified builders as possible can respond with a project proposal.



## Request for Proposal

*[ri-'kwest fər prə-'pō-zəl]*

A business document that announces a project, describes it, and solicits quotes from qualified contractors to complete it.

Tendering for home construction works the same way. A homeowner requests and receives a price for a specific scope of their home from a set of home builders. Tendering ensures fair competition among qualified home builders working from a shared set of criteria.

# 1

## The invite



The process begins with an [invitation from the homeowner's](#) legal representative to participate in a tendering. It's like getting an invite to a party, but the invitation goes by many names:

- Invitation to Quote (ITQ)
- Invitation to Tender (ITT)
- Request for Proposal (RFP)
- Request for Qualifications/Quote (RFQ)

# 2

## The documents

The key to any successful tender depends on **accurate documentation**, which outlines the scope of home project.

Just what are we building? Is the house one story? A big deck in the back?

You get the idea.

### A complete tender package should include:

- A formal letter of invitation
- Site details (address and location, utility availability, legal description)
- Draft contract with specific conditions and amendments
- Design specifications and plans

Remember: As a pro builder, it's critical you work with final plans. Only final plans ensure your tender reply is accurate and complete. This helps avoid a number of surprises once a project is under way.

Major alterations to project plans can end up costing you money to cover additional expenses or can require your customer to approve variations to cover those expenses. Variations alter a project's overall cost, the construction schedule and the completion date. You need to communicate those impacts to the homeowner clearly and in a timely fashion.



# 3

## The Q&A



As a home construction pro, it's critical to ask the homeowner the right questions to clarify the information contained in the tender documentation. In fact, by asking detailed questions, you demonstrate the experience and professionalism that makes you stand out above competitors.

Don't hesitate to raise an issue with the design that went unnoticed by the homeowner's designer or architect. This is an excellent way to show a homeowner you're on their side.

### If unsure where to start, begin with clarifying the basics:

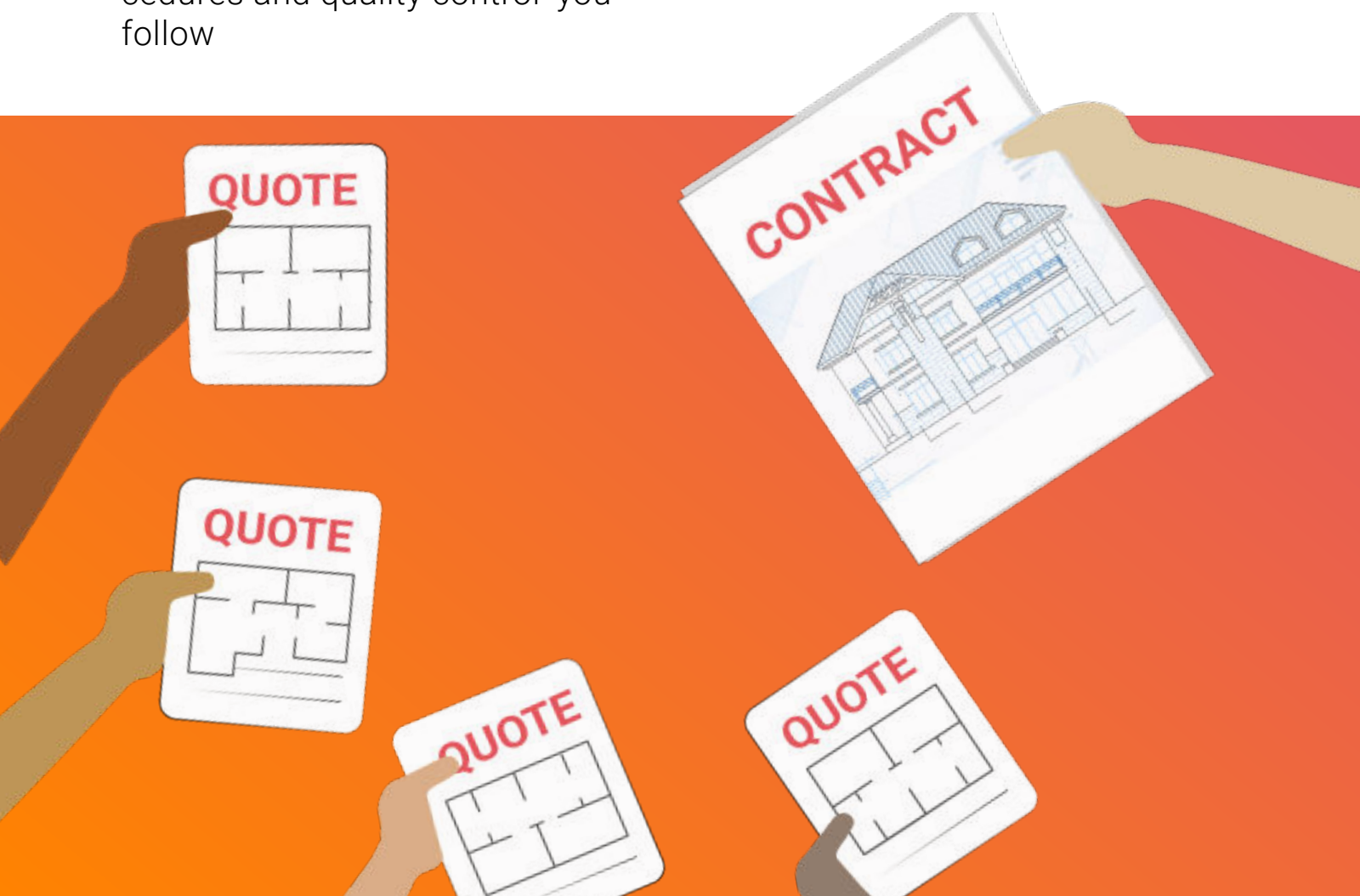
- Do the plans follow all local and common law requirements?
- Have proper soil studies of the building site been completed?
  - Is the foundation's design suitable for the site?
  - Will there be a septic system?
  - Can the site support the septic design?
- Is there proper electric utility service in the area during construction?
- Do specifications consider the latest advances in materials and energy efficiency?

# 4

## Your tender response

Builders and renovators submit competitive responses, or quotes, to the homeowner that include [pricing estimates](#) for materials and labour. These estimates are contained in a [formal quote](#) you provide along with other documents such as:

- An initial construction schedule - broken out by phases and tasks
- Material and labour procurement procedures
- Demonstration of skill – the procedures and quality control you follow
- Key project personnel
- Builder management
- Prior experience and references

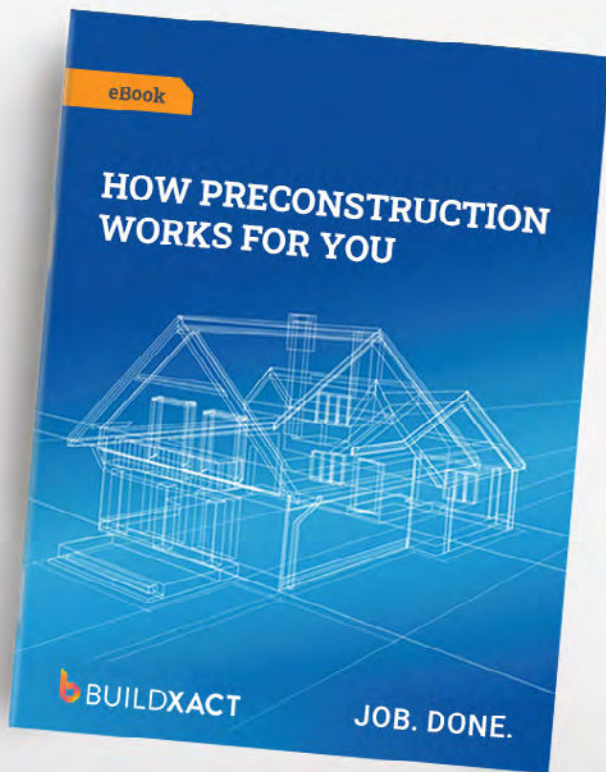


## PROFIT MARGIN

Remember: Don't under value your services just to submit the lowest bid.

Your estimates for labour and materials need to include markup to cover your overhead expenses.

Replying to a tender that fails to include proper markup for your indirect costs will end up costing you money in the long run. For full details on this, refer to this "[How Preconstruction Works for You](#)" eBook.



Very often, your experience leads you to submit a tender response that either includes additions not requested by the homeowner or qualifications that the homeowner would need to agree to before any work begins. These conditions can be handled in a number of ways.

**Variant quote** – Typically submitted as an alternative proposal that includes a list of materials and processes not listed in the tender specifications. Builders often include a variant quote to arrive at a lower project cost. However, they're typically only accepted if stipulated as an option in the original tender documents.

**Tip:** When pricing materials and labour, be certain you're using the latest available information. [Material and labour pricing obtained from trusted online sources](#) of information helps you submit an accurate quote.

**Qualified tenders** – a builder will submit a qualified tender that includes statements intended to limit a builder's liability. You usually want to cover situations where you cannot or will not provide certain services called for in the original tender documents.



# 5

## Settlement



After reviewing the submitted tenders, the homeowner selects their preferred builder & their quote. The submitted quote serves as the basis for a formal offer to the homeowner from the builder. From there, a contract is negotiated.

Once any changes to the original tender are finalised, a contract is signed by both parties and the tendering process concludes.

## How to win more home construction tenders

In most tendering opportunities, builders and contractors are competing based on experience and price. Anything contractors do to reduce their project costs will make their tenders more competitive.

Many builders have turned to [construction estimating software](#) to make their tendering offers more efficient and more competitive. Construction estimating and management software keeps you updated with the latest pricing and labour costs to help you quote fair, competitive prices in any tendering situation.



The right software can significantly improve the time it takes you to respond to a tendering request, as estimating becomes a faster, more fluid process. Digital tools and plans can make your [estimating process up to 5X faster](#) than using paper and pencil to calculate materials and labour.

With software, you also can quickly move from preconstruction estimating and quoting to project management and scheduling by working with the same set of tasks that you outlined in your original quote.

[Software best suited for tendering](#) are SaaS (Software as a Service) platforms that offer [a low annual price](#) that can be paid in monthly installments or annually, for a discount. The best SaaS platforms include all the features you need from start to finish, such as

[material takeoffs](#) and [estimate costings](#), professional [quoting](#), documentation storage, online [customer communication](#), live material and labour pricing based on where your project is located, [easy project scheduling](#), and [cost tracking](#).

The right software should be available to fit your builder lifestyle. It should be cloud-based, so you can manage your project estimates or active builds from your smartphone, tablet or laptop, from anywhere you have Wi-Fi. This is perfect for builders who want to [remotely connect to their subcontractors](#) via site diary.

Finally, the best software also [integrates with familiar accounting software](#), like Quickbooks, to simplify your budgeting and [invoicing](#).

# What's next?

Responding to more homeowner tenders is a perfect way to grow your business, and finding the right construction estimating software to help you is a good way for both you and the homeowner to stay connected during every phase of the project.

What to learn more?

Book a demo with a member of the Buildxact team today.

**BOOK A DEMO**



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