

## Should You Build Now?

**W**ith the economy just beginning to return from the skids, some people still believe that most contractors are taking jobs “to keep the crews busy” (as if construction was an industry with high fixed costs, like manufacturing). This is not the case for all contractors.

**Misconception:** Construction has a high margin (like many businesses) and there is “room” to reduce price (profit) and still be able to deliver.

**Reality:** Gross margins in the construction industry are among the lowest of any business

**Misconception:** Construction costs are fixed.

**Reality:** There is no book (like a flat rate manual at your auto repair shop) that tells how much a project costs. Every project is unique and the costs are only an estimate of what the work would cost in a perfect world. The risk of completing a job within that budget and time frame still remains.

**Misconception:** All contractors are the same and construction is a commodity, not a service.

**Reality:** All contractors are not the same, just as all lawyers, doctors, auto mechanics or any other service provider are not the same. The truth is



that there are two kinds of construction companies—what we like to call the “Low Bidders” and the “Value Adders.”

Doing everything they can to just get the job, without regard to the finished product, schedule or owner’s needs, characterizes the Low Bidder. Jobs awarded to low bidders typically go like this:

- 1) They find cheap subs and “beat” their price down;
- 2) They can’t afford supervision of the work or continuity of the crews on the job;
- 3) They have no margin in the job to be able to take care of the real needs of the owner, leading to...

- 4) Change orders at unreasonable prices (they have to get enough money from somewhere!); and
- 5) The worst thing—Excuses.

Value Adders, on the other hand, are characterized by trying to determine the owner’s real needs and devising a plan to solve his or her problems. At Corporate Contractors, Inc., we believe that truly understanding our customers’ goals, knowing what is important, and to work as a team is the way to achieve success.

**Value Adders:**

- 1) Are typically not always the cheapest (but competitive in price);
- 2) Use qualified subcontractors at a reasonable price;

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- 3) Give the project a great deal of attention and supervision to ensure the final product meets the owner's expectations;
- 4) Are reasonable and fair in their change order costs; and most important
- 5) Are dependable and take responsibility for what they do. They know that cheap prices have to come from somewhere and that somewhere is at the expense of service.

We've seen several contractors over the last year price their work in such a manner to "keep their crews together" and this inevitably leads to problems. What really happens is that they end up with more projects than they can handle and then have to attempt to complete them with little or no profit. Human nature is to avoid or put off working on these projects, since they are not making any profit, which ends up becoming the owner's problem (costly change orders, late completion, rework required, etc.).

No, we're not always the lowest bidder, but then it's not the dollar figure when the contract is awarded that matters most, it's the dollar figure and satisfaction when the project is finished that really makes the difference. That's what sets Corporate Contractors, Inc. apart from the low bidders. As "value adders," we're here today and we'll be here tomorrow, and the only way we ensure that is by continuing to provide real value at reasonable costs.

The best projects, regardless of the economy, are those where everyone on the team is dependable and fair in their pricing so there is enough money in the contract to provide the service and value the owner needs.

Yes, now is a great time to build or renovate, not for the carrot of a cheap price, but rather to get the jump on your competition, who are most likely cutting back the services their customers expect.

### *Services Provided By CCI*

- General Contracting
- Renovation/Adaptive Design
- Facility Maintenance
- Commercial Roofing
- Design/Build
- Construction Management
- Polished Concrete
- Demolition and Excavation

## Competitive Bidding—Or Not?

If you had a heart problem, would you take competitive bids from heart surgeons? If you needed a good lawyer, would you take competitive bids to select one? If you wanted an aircraft designed for you and your family to use, would you accept the lowest bidder?

We hope your answers to the above question were "No!" If they were, read on.

Just as you wouldn't accept, or even solicit, low bids for the above examples, you shouldn't select the contractor to build your new facility because they are the cheapest. You should select your professional construction team just as you would any other professional. Look for someone qualified, of good character and integrity, who has a strong track record and offers his services at a competitive price.

It's simply human nature. If cost is more important to you than the quality of construction, profit will be more important to your contractor than the quality of their work.



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