**Strategic Steps for the BBS**

**Bucknell Bidding Simulation**

1. Before bidding the first project, memorize the following:

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| **What to memorize** | **Why this matters** |
| Your Firm Name | You need to quickly identify your firm when looking at bidding results. |
| Your firm’s Annual G&A Overhead | You should have a sense for how much changing the percentage of your G&A costs in your bid changes your total bid. For example, if you have moderate G&A costs and are bidding on a large project, increasing the percentage of G&A costs in a bid by a few percentage points may prove trivial compared to increasing the percentage of profit by a few percentage points.  Also, to maximize profits, you need to include a portion of your G&A overhead in your bids and win at least some of those bids. If you do not have your total G&A costs covered by the projects that you win, the profits you make through projects that you did win will be reduced by the portion of G&A costs that were not covered by won bids. |
| Your firm’s Type | How well your firm type matches with the project type will likely influence how much actual direct costs vary from estimated direct costs. As such, it makes sense to include higher profit percentages in bids for projects with which your firm does not match well. |
| Your firm’s Size | How well your firm size matches with the project size will likely influence how much actual direct costs vary from estimated direct costs. As such, it makes sense to include higher profit percentages in bids for projects with which your firm does not match well. |
| Your firm’s Lower Bond Limit (in $) and the lower bond rate (decimal) | Your bonding rate directly influences your total bid on each project. You should know how much your total bid is increased due to automatic inclusion of bonding costs on top of direct costs, the G&A contribution % you select and the profit % you select. |
| Your firm’s Upper Bond Limit (in $) and the bond rate for total work between the lower and upper bond limits (decimal) | Your cost of the bond that will be automatically added to each of your bids is determined, in part, by how the total value of your projects in progress compares with your lower and upper bonding capacities. Once you exceed your lower bond limit, your bonding rate (cost) increases substantially. You might need to lower your profit percentage in a bid in order to be competitive once you exceed your lower bond capacity. |

2. Before bidding your first project, discuss your **initial G&A strategy** for ensuring that your total G&A expenses will be covered by your awarded projects. For example, you could:

1. Try to have 100% of your annual G&A expenses are covered by one project (which will likely make it difficult to be the low bidder on that project).
2. Decide that you will include a uniform percentage of annual G&A expenses in each project, such as 25% of annual expenses in each of the four bids each year. (But given that you will almost certainly not win each project, this would mean that your annual G&A expenses would not be covered by your active projects each year.)
3. Include a relatively low percentage of annual G&A expenses in your early bids, with the hope that you win a project and thus start to cover at least part of your G&A expenses.

3. Before bidding your first project, discuss your **overall profit goals and tactics** for meeting those goals. What will be your profit goal, that is, the average profit margin (such as 5% or 10%) you want to achieve on your projects? Will you stick with this goal profit margin on all bids or adjust it on each bid to reflect the unique context of each bidding round?

4. Before bidding each project, analyze and discuss the following factors relating to your firm:

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| **What to analyze** | **Why this matters** |
| What is the project size? | Does it match well with your firm’s size sweetspot? If yes, you can include a fairly low profit percentage in your bid because you can be reasonably confident that actual direct costs won’t end up higher than your estimated direct costs. If no, it might be better to include a fairly high profit percentage in your bid. You are more likely not win the project, but do you really want to win a project with a low profit margin if actual direct costs may end up higher than estimated direct costs?  You also want to consider how the project size will affect your bonding rate if you win. |
| What is the project type? | Does it match well with your firm’s size sweetspot? If yes, you can include a fairly low profit percentage in your bid because you can be reasonably confident that actual direct costs won’t end up higher than your estimated direct costs. If no, it might be better to include a fairly high profit percentage in your bid. You are more likely not win the project, but do you really want to win a project with a low profit margin if actual direct costs may end up higher than estimated direct costs? |
| What is the owner type? Is it a desirable owner? | If yes, you can include a fairly low profit percentage in your bid because you can be reasonably confident that actual direct costs won’t end up higher than your estimated direct costs. If no, it might be better to include a fairly high profit percentage in your bid. You are more likely not win the project, but do you really want to win a project with a low profit margin if actual direct costs may end up higher than estimated direct costs? |
| What is your current bonding rate? | If the total value of your projects in progress is higher than your lower bonding limit, you might need to lower your profit percentage in a bid in order to be competitive. |
| How much of your annual G&A costs have been paid for through current projects? | If you have not won projects for which you included substantial percentages of G&A costs in your bids, you may wish to include a high percentage of G&A cost in the current bid to make sure your annual G&A costs are covered. On the other hand, even if you haven’t won many projects this year, you may still want to include a low percentage of G&A (and a low profit) just to recoup *some* G&A, AS LONG AS, your profit margin is not so low that you may end up losing money on a project because it matched poorly with your firm size and type and/or the owner is an undesirable owner. |
| How much of each competitor’s G&A costs have been paid for through their current projects? | If a competitor has not won a project lately, the firm may be desperate to win a project to cover at least some of their G&A costs. As such, you might need to bid more aggressively than you have had to on previous projects. |

5. Before bidding each project, analyze and discuss the following factors relating to your competitors. Note that you will need to analyze information found on the Historical Bids and Active Projects tabs.

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| **Factor** | **What to analyze** |
| Bond capacity dynamics | Are one or more of your competitors likely not be able to submit a competitive bid because they have exceeded their lower bond limit? |
| Hungry competitor | Are one or more competitors likely to bid aggressively bid because they really need to win a project to cover their G&A costs? |
| Sweetspot competitors | Are one or more competitors likely to bid aggressively because the project matches well with their sweetspots? |
| Irrational competitors | Is there any competitor who seems flat out irrational, bidding so low each time that the firm will be losing money hand over fist? If so, do you want to do whatever it takes to win a project anyway, or do you want to let other fools battle it out and be the last one standing? |