

## **Ethical Contract Bidding - Who's Responsible?**

You work hard, have an efficient cleaning crew, do fantastic work, and have cut your profit margin but you still lose the bid. Sound familiar? It seems that this has become the trend in contract cleaning; contractors obtaining accounts as a result of ridiculously low bids. How is it possible to fulfill these contracts? How can you compete against such practices? This article will answer these questions as well as show that the responsibility for ethical bidding lies not only on the contractor but on the client asking for the bid.

Unscrupulous contractors may use dishonest or misleading practices to obtain business. Following are some examples:

*"The responsibility for ethical bidding lies not only on the contractor but on the client asking for the bid."*

- 1) Bidding extremely low against stiff competition to obtain a foothold in a chain of stores but then overcharging in other towns or cities where competition does not exist. Another variation of this approach is to raise the price once the client is dependant on the service contractor.
- 2) Not paying payroll taxes, workers compensation, liability insurance and other employee benefits costs. Some facility management personnel may claim that this sort of behavior is not their problem, however ethics in business should be their concern. If a contractor is not paying some of these expenses, such as workers compensation or liability insurance, or coverage is inadequate, the contractor and the building owner may be exposed to a lawsuit in the event of an accident.
- 3) Exploiting laborers who are working in this country illegally. This can save the contractor large sums of money by avoiding costs such as social security and federal withholding. They may also grossly underpay these employees.

### **The Client's Responsibility**

Often the person responsible for hiring the service contractor

doesn't want to admit they made a mistake so they may cover for a substandard job. What can you do, as a facility manager, to be certain you are not taken advantage of or worse yet put in danger by unscrupulous service contractors?

- 1) Beware of a bid that is substantially lower than average. You get what you pay for. If you squeeze contractors for price too much you will invite unethical business practices.
- 2) Be wary of promises without concrete evidence to support such claims. Is what is being promised really feasible?
- 3) Get references. Don't just call the contractor's best customers, ask for a list of every account they've done in the area that is of similar size to your own.
- 4) Require proof of liability insurance and be certain it is sufficient.
- 5) Don't believe everything you hear. Some contractors bid so often and so cheap that it establishes an expected price in the minds of facility managers, who then believe that cleaning services should be priced on these margins.

*“One other key to success is recognizing the level of service that is being requested.”*

### **The Contractor's Responsibility**

How can you as a service contractor deal with unethical bidding on the part of your competitors? Educate your prospective clients. Show them how to watch out for low pricing that seems out of line with other bidders. Use the above recommendations to clients as a start. Some have decided to use full-disclosure bidding. This type of bidding lets the client know exactly what level of appearance will be maintained and how it will be accomplished. This includes details such as cleaning procedures, frequency of procedures, number of man-hours per procedure, costs of labor, taxes, insurance, products, materials, equipment charges and even markups.

By disclosing the costs involved it allows the prospective client to accurately compare your level of service to other bidders. Whether your bid comes in lower or higher the customer can see *why*.

One other key to success is recognizing the level of service that is being requested. For instance, recently one chain of stores decided to revamp their maintenance program which had remained unchanged for 15-20 years. As is usually the case the corporation wanted to cut costs. Many of the contractors who held these accounts misunderstood the proposal thinking that

*“The responsibility for ethical contract bidding lies on the shoulders of both parties, the client and the contractor.”*

the client wanted the same level of service while paying less money when really the company wanted to cut some of the service. The moral of the story is; instead of simply reducing your profit margin to obtain a bid, rethink the proposal, find out what is really being requested. If the specifications for the job are outside of the budget restraints then help the client to rethink or rework the specifications. Perhaps stretching the service from once a week to every other week or using facility personnel to perform everyday tasks.

### **The Answer**

This market is shifting more toward negotiated agreements. If contractors are to be successful they must recognize this and work with it, not reducing profit margins to win bids but make the facility's budget work within its constraints. The responsibility for ethical contract bidding lies on the shoulders of both parties, the client and the contractor. If both parties identify their needs and make good business decisions based on service, quality and cost then a long term successful relationship can be profitable for everyone involved.

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