

Basics of the Snow & Ice Bid

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Bidding on work in the snow & ice industry can be a time-intensive and challenging part of the business. In order to sustain a successful, growing snow business, it can also be the most important aspect of your snow strategy.

One of the first struggles is simply determining how to price the work, and there are many models, including seasonal bidding, per push, per inch, or even per hour. Determining this, however, should be secondary to your overall bidding process. The ultimate goal is to develop a method that allows you to price in any structure you need to, either because of the market you are in or at the request of an important client.

Over the last year, the Snow and Ice Management Association (SIMA) has worked with a group of members to develop a Build a Bid workshop specific to snow and ice contractors. To date, the association has conducted two workshops and plans more in 2009. As part of the program, the basic bidding process was broken down into four core concepts:

- Know Your Financials
- Production Numbers & Measuring
- Event History
- Customers Are Key

Know Your Financials

As in any other business, understanding how your company generates revenue, controls expense, and grows equity is paramount. If you don't have a solid foundation and set plan for analyzing financial statements, controlled and strategized growth of your snow business will be extremely difficult. In terms of bidding, at the most basic level a contractor should grasp a number of items:

- *Basic Financial Statements:* Being able to create, read, and understand a balance sheet and profit & loss statement are very important in bidding for snow removal work. A company with a strong process for bidding is able to pull all the needed financial information from previous years into the bidding process for the current year. Planning for the future, including planning for growth, cannot be accomplished without a solid foundation and understanding of the financial position of the company.
- *Job-Costing and Overhead:* In order to bid on work, you must understand the basic costs your company incurs while clearing snow and ice. For example, bidding on work with one plow truck and one spreader entails understanding all of the costs it takes to run that equipment, which could include the cost of the truck for one snow season (this involves itemizing the cost of the truck over an estimated number of years), cost of the plow/spreader for the season (again itemized over an estimated number of years), maintenance for the season, insurance for the season, and loan interest over the season.

Production Numbers & Measuring

Production Numbers: SIMA defines a production number as the number of units produced in a given period of time or the time required to produce a single article. Another way to describe it is the average amount of time it takes a piece of equipment, a person, or a material to finish a measurable job. While there are many similarities, these production rates need to be built over time for each company, specific to the weather in the region, the equipment being used, and the employees operating the equipment. Production numbers at their best are an accumulation of recorded data history, tracking lows and highs with the use of averages. What do you need in order to begin tracking your own production numbers?

1. A duration of time
2. The man hours involved (crew size)
3. An amount of work produced
4. The equipment that is being used
5. Any materials that are being used
6. A measurement of an area

Measuring: Measuring is a basic element that is essential to an accurate estimate. There are many devices and methods that can be used to measure a property, including a measuring wheel and range finder. Other ways to measure include a tape measure, counting parking spaces, using satellite images of the lot on the internet, or pacing the lot. SIMA recommends the use of a measuring wheel or range finder as the most accurate methods for measuring. After measuring, developing a system that allows you to assign a level of difficulty for each property will be a highly useful tool in estimating a bid.

Event History

Event history, in this context, relates to the type, duration, and strength of snow and ice events each year in a region. Snow contractors must manage the risk that comes along with the unpredictability of weather, as it is challenging to predict the amount of winter events a given region will experience each year. A good bidding process should include steps to help manage and minimize the risk a company is financially exposed to during either a very low winter or a very high snowfall winter.

In order to bring event history into play in your bids, you must once again use averages to help manage risk and create a solid bidding foundation. Here is a simplified example:

Let's say that for the past three years the averages have been:

- 15 events at 2" --- Normal
- 7 events at 4"-5" --- Medium
- 3 events at 6" or higher --- Heavy

Once these numbers are reviewed, and once production numbers for the company have been established, a contractor can then put them together to determine a more accurate understanding of how many hours or minutes a season/property/area will take to plow. For example:

15 Normal Events x 45 minutes for 30,000 sq feet (size of property) = 675 minutes to plow this property over a season during 'Normal' events. This is based on a 45 minute production time estimate for a 'Normal' property at 30,000 square feet. (This is an example to illustrate the process, and not based in real-time production).

Doing the same process for 'Medium' and 'Heavy' events, then adding the 'Normal', 'Medium', and 'Heavy' event estimates together, can yield a good foundation for the amount of time it will take to clear a property for a season.

Typing it All Together

The next step is calculating a burden or break-even rate for the site, defined as: The estimated amount of money it will cost a company to do a job over a period of time after taking equipment, labor, materials, the site, the weather history, and overhead into account. Once the burden rate is calculated, it can be used to determine pricing in a number of different pricing structures, but don't forget to add in profit before you present the bid to the customer!

Customers Are Key

The final aspect of bidding in snow and ice, and perhaps the most important, can have a profound affect on the snow and ice business. Forming a consistent bidding process is null and void if the process goes out the window when you are selling a contract to a customer. Understanding your costs but not analyzing your profit margins by customer/by zone/overall will not alone grow the company. It's the combination of the first three bidding concepts, pulled into the customer framework, that allow us to meet the customers needs, while not overextending and sacrificing service in the process. This includes:

- *Qualifying the Customer:* Before you bid, it is very important to determine whether a customer or potential client is a good fit for your snow removal service. Qualifying them with a series of direct questions, as well as internal questions, will provide the information that can help you make the decision whether to bid or not bid on the property. Areas to consider include:
 - Logistics: Fits with existing routes, size of property, unique challenges and special needs, high priority areas, building hours etc.
 - Customer Expectations: Desired level of service, past experiences, communication with client, contract negotiations (signing their contract or yours?), decision-making process, etc.
 - Strategy: Support goals of growth vs. just taking on more work, fit your company's niche/target market, etc.

- *Delivering the Bid:* So you have a price, just email it on over, right? Wrong! There are a number of things you can try and do to ensure that you are at the front of the line when being considered:
 - Meet in person with the client to deliver the bid, if possible
 - During the conversation, establish your vision of where you would like the meeting to end
 - Plan the meeting, and understand what your strategy is, as well as who will be involved in the meeting

- Work to establish rapport and trust with the client
- Do your best to show them that you understand their special needs
- Know beforehand what you will agree to, and what line you won't cross
- Ask for the sale!

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For more information related to bidding in snow and ice, contact SIMA at Brian@simas.org or visit www.simas.org.