

# Chapter 1

## Introduction

---

### OBJECTIVES

After reading this chapter, you should understand

- the purpose of electrical contracting.
  - why many electrical contractors are unsuccessful.
  - why an estimate is required to create a project budget.
  - how a contractor's success is impacted by competition, labor productivity, management skills, overhead, and risk.
  - that the electrical industry is in constant change and which factors impact the electrical market.
- 

### INTRODUCTION

---

A great percentage of electrical work is acquired through the estimating process, and most jobs are awarded to the contractor who has the best perceived price, but not necessarily the lowest. Because of the demands to have the best perceived price, profit margins are limited which permit you a small margin of error in the estimate. A proper estimate must accurately determine your cost in completing the job according to the customer's needs. This price must be acceptable to your customer at a value that includes sufficient profit for you to stay in business. In addition to helping you determine the selling price for a job, the estimate is used as the foundation for project management.

#### 1.01 ESTIMATING VERSUS BIDDING

---

Determining the selling price for a job is actually two separate components. The first component is

called the estimate, which determines the cost of the job. The second component is the bid, which determines the job's selling price. It is critical that you understand the difference between an estimated cost and a bid price. Estimating is determining your cost and bidding is determining the selling price.

#### Estimating

The purpose of estimating is to determine the cost of a project before you actually do the work. Estimating must take into consideration variable job conditions, the cost of materials, labor cost, direct job expenses, and management costs (overhead).

#### Bid Process

Once you know the estimated cost of a project, you can determine the selling price of the job. Determining the selling price of a job is called bidding.