

# ENGINEUNITY TUTORIAL



## Bidding Strategy



## Bidding Strategy

Each period the company is able to bid for a selection of jobs based upon the Marketing Decisions in the previous period.

**The choice of which jobs to bid for can be crucial in order to win enough new work to keep growing the business.**



# Bidding Strategy

MAKING Procurement decisions for period 9 in the Early Years

Change period Assessing performance Industry information Help

## PROCUREMENT RESTRICTIONS

### Company Based Limitations

#### NUMBER OF JOBS IN PROGRESS

At the start of the period, the number of jobs in progress is: **5** (job progression screen)  
 The number of jobs in progress after bidding cannot exceed: **10** jobs  
 Hence, the maximum number of jobs that can be won is: **5** jobs during bidding

#### VALUE OF WORK IN PROGRESS

The initial forward workload is: **23,509,400** (job progression screen)  
 The current value of the capital base is: **4,516,490** (financial decision screen)  
 The current capital base can support forward workload of: **45,164,900** (10 x capital base)  
 Hence, the value of work that can be won cannot exceed: **21,655,500** during bidding

Job	Country	Type	BIM	Size	App Value	Duration	Description	Sector	Client	Job	Bid	Bid value
192	United Kingdom	BO	Yes	Large	24,000,000	4	New medical school	Building & Commercial	Fenlands County Council	192	No	0
193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq TranGen 2009	193	No	0
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	No	0
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Pune Steel	196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	First Wind USA	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS Rail Connection Group	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	London City Council	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	English Waterways	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	Paris Olympic Group	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	Electragen	220	No	0

Consider the following example.

**The company is in period 9, and has a number of jobs that can be bid for.**



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193	Iraq	DB	No	Medium	11,000		New aircraft hangar at Mosul Airport	Transport	Iraq TranGen 2009	193	No	0
194	Australia	BO	No	Large	17,000		New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	No	0
195	Australia	BO	Yes	Medium	11,000		Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	No	0
196	India	BO	Yes	Medium	11,000		Upgrade of existing steel plant	Industrial	Pune Steel	196	No	0
197	United States	BO	No	Large	24,000		Offshore wind farm development	Energy	First Wind USA	197	No	0
200	United Kingdom	BO	No	Small	11,000		New site access roads for HS2	Transport	HS Rail Connection Group	200	No	0
202	United Kingdom	DB	Yes	Medium	11,000		Construction of a new multi-faith centre	Building & Commercial	London City Council	202	No	0
203	United Kingdom	BO	No	Medium	11,000		Restoration work on Montgomery canal	Water & Sewage	English Waterways	203	No	0
214	France	BO	No	Medium	11,000		Upgrade to the Bercy metro station	Transport	Paris Olympic Group	214	No	0
220	United Kingdom	BO	No	Medium	11,000		Reluge Systems for sub-stations	Energy	Electragen	220	No	0

The company already have 5 jobs in progress on the Job Progression Screen.

**After the bids have been processed** potentially 10 jobs can be in progress, which includes the 5 jobs already in progress and any jobs won this period.

**Hence, there is scope to win up to 5 new jobs this period.**



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192	United Kingdom	BO	Yes	Large	24,000,000	4	New medical school	Building & Commercial	Fenland Council	192	No	0
193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq T...	193	No	0
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Aust...	194	No	0
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	M...	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial		196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy		197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	...	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Comm	...	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewer	...	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	...	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	...	220	No	0

**The company's capital base, which represents the infrastructure of the business, governs the amount (or value) of work the company can support at any point in time.**

At the start of period 9 the amount of work that can be supported is 10 times the current value of the capital base, in this case 45,164,900 (10 x 4,516,490).



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192	United Kingdom	BO	Yes	Large	24,000,000	4	New medical school	Building & Commercial	Fenlands Council	192	No	0
193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq Transport	193	No	0
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Football	194	No	0
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Massey University	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Praxair	196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	BP	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS2	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	Diocese of	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	Canal & Waterways	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	SNCF	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	Energy	220	No	0

The company already has 23,509,400 of work in progress, based upon the jobs in progress on the Job Progression Screen.

The initial work in progress is subtracted from the level of work that can be supported to give the value of work that can be won in the current period.

Hence, the value of work that can be won in period 9 is 21,655,500 (45,164,900 – 23,509,400)



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192	United Kingdom	BO	Yes	Large	24,000,000	4	New medical school	Building & Commercial	Fenlands District Council	192	No	0
193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq Transport	193	No	0
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Football Institute	194	No	0
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Malpas Corporation	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial		196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	USA	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	Connection Group	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	City Council	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewerage	Waterways	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	Olympic Group	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	agen	220	No	0

Ideally the company needs to win as close to 21,655,500 of new work as possible to fully utilise the capital base, otherwise resources are being wasted.

**How does the Procurement Manager now go about deciding upon a bidding strategy to try and win as close to 21,655,500 possible ?**

We will look at some possible scenarios, and their **pros** and **cons**.



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193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq TranGen 2009	193	No	0
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	No	0
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Pune Steel	196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	First Wind USA	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS Rail Connection Group	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	London City Council	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	English Waterways	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	Paris Olympic Group	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	Electragen	220	No	0

Firstly, when forming a bidding strategy it is **vital to bear in mind that any bids submitted are processed in strict job number order** e.g., job 192 first , then job 193 through to job 220.

**This job number order can influence bidding strategy.**





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192	United Kingdom	BO	Yes	Large	24,000,000	4	New medical school	Building & Commercial	Fenlands County Council	192	Yes	25,140,830
193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq TranGen 2009	193	Yes	11,826,110
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	Yes	18,027,560
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	Yes	9,869,450
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Pune Steel	196	Yes	10,865,240
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	First Wind USA	197	Yes	24,962,500
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS Rail Connection Group	200	Yes	5,204,335
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	London City Council	202	Yes	12,454,360
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	English Heritage	203	Yes	8,345,214
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	SNCF	214	Yes	2,299,518
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	British Energy	220	Yes	5,438,864

## SCENARIO 1: BID FOR EVERY JOB

A 'no science' approach, i.e., bidding for every job available, might seem like a good option, but it has a number of drawbacks :-

- Some jobs that are bid for cannot be won due to their size exceeding the amount of work that can be won e.g., jobs 192 and 197 exceed the 21,655,500 of work that can be won.
- Crucially, every job incurs a bidding cost, shown in the "Industry parameters", and bidding for every job can incur a huge bidding bill (shown in the overhead costs), which can cripple company operating profit in a period.

**The "bid for every job" scenario is not a sensible option, and a more selective approach is needed.**

### Industry parameters

FINANCE

OVERHEADS

PROCUREMENT

JOB PROGRESSION

**BIDDING COSTS** The cost of bidding for a job is: **0.2** % of the approximate job value



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192	United Kingdom	BO	Yes	Large	24,000,000	4	New medical school	Building & Commercial	Fenlands County Council	192	No	0
193	Iraq	DB	No	Medium	11,000,000	3	New aircraft hangar at Mosul Airport	Transport	Iraq TranGen 2009	193	Yes	11,826,110
194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	No	0
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Pune Steel	196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	First Wind USA	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS Rail Corp	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	London	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	Montgomery Canal	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	SNCF	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	Energy	220	No	0

## SCENARIO 2: BID FOR WORK, BUT NO WHERE NEAR THE AMOUNT THAT COULD BE WON

This scenario is the complete opposite to the previous approach, in that the company have bid for just one job, around 12m.

The drawbacks with this approach are :-

- Even if the bid is successful, it would be nowhere near the 21,655,500 that could be won
- **Crucially, what happens if the jobs is lost ?** There is no plan B, and no work would be won, which would cause the forward workload an margin KPIs to plummet

**This scenario is also not a sensible option.**



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194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	Yes	18,027,560
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	No	0
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Pune Steel	196	No	0
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	First Wind USA	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS Rail Connections	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	London City Council	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	Environment Agency	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport	SNCF	214	No	0
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy	Electricity North East	220	No	0

## SCENARIO 3: PUTTING ALL YOUR EGGS IN ONE BASKET

This scenario is similar to the previous one, in that **the company have put all their eggs in one basket** by bidding for just one job, but at least this time the bid value, at 18m, is close to the 21,655,500 that could be won.

However, the drawback is once more that it is a very risky strategy. It would pay off if the job is won, keeping bidding costs low, but again **what happens if the jobs is lost ?** There is no plan B, and no work would be won, which would cause the forward workload and margin KPIs to plummet

**This scenario, although probably the best so far, is still not the ideal one.**



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194	Australia	BO	No	Large	17,000,000	4	New Australian rules football pitch	Building & Commercial	Australian Sport Institute	194	Yes	18,027,560
195	Australia	BO	Yes	Medium	9,000,000	3	Aircraft hangar modifications	Building & Commercial	Mascot Airport Corporation	195	Yes	9,869,450
196	India	BO	Yes	Medium	10,000,000	3	Upgrade of existing steel plant	Industrial	Pune Steel	196	Yes	10,865,240
197	United States	BO	No	Large	24,000,000	5	Offshore wind farm development	Energy	First Wind USA	197	No	0
200	United Kingdom	BO	No	Small	5,000,000	2	New site access roads for HS2	Transport	HS Rail Connection P	200	No	0
202	United Kingdom	DB	Yes	Medium	12,000,000	3	Construction of a new multi-faith centre	Building & Commercial	London City C	202	No	0
203	United Kingdom	BO	No	Medium	8,000,000	4	Restoration work on Montgomery canal	Water & Sewage	Enl	203	No	0
214	France	BO	No	Small	2,000,000	3	Upgrade to the Bercy metro station	Transport		214	Yes	2,299,518
220	United Kingdom	BO	No	Small	5,000,000	2	Fire Deluge Systems for sub-stations	Energy		220	No	0

## SCENARIO 4: SELECTIVE BIDDING FOR MORE WORK THAN COULD BE WON

In this scenario the company have bid for around 41m of new work, almost double what can actually be won. However, the strategy has numerous advantages over the previous ones :-

- Bidding costs are not excessive with only 4 jobs bid for
- If job 194, the 18m bid, is secured then jobs 195 and 196 cannot be won due the capital base not supporting more than 21,655,500 of new work. However, the small job (job 214) may also be won, and the company is guaranteed to win close to the 21,655,500 threshold
- **Crucially** if job 194 is lost, **there is a PLAN B** with the next two bids totalling just over 20m, and one or both could be secured if the bids are competitive enough.

**This scenario is the best one to adopt.**