

PIPELINE

piping systems inc.

COMMERCIAL/INDUSTRIAL/INSTITUTIONAL MECHANICAL CONTRACTORS

WINTER 2007

So, You Think You Can Save A Few Bucks?

Did you ever consider the typical chain reaction when price is the top consideration in a building project? Cheap price ➔ quality cuts ➔ supervision cuts ➔ inspection cuts ➔ cheap work ➔ customer dissatisfaction ➔ disputes ➔ slow pay ➔ no pay ➔ litigation. Nobody wins but the lawyers!

But, that said, in good times and bad, there never seems to be a lack of customers who really believe that they can wring the last nickel out of a project and still get the building of their dreams. They think that the construction industry has such high profit margins that

there's plenty of room for contractors to reduce profits and provide "bargains." The plain truth, however, is that gross margins in our industry are among the lowest of any business. Construction costs are not fixed; each job is different and the associated costs are

only an estimate. At best, it's legalized gambling.

You'll find that there are two kinds of construction companies—the low



Training is one way we provide our customers with value-added service.

bidder and the value adder—and that there are no real "bargains." The low bidder does anything they can to get the job, without regard to the necessity of providing quality workmanship or meeting schedules. The value adder, however, focuses on understanding and meeting all of the owner's needs, with enough upfront money budgeted to fulfill their expectations.

Doing everything they can to just get the job, without regard to the finished

product, schedule or the owner's needs, characterizes the Low Bidder. Their jobs typically go like this:

- 1) They find cheap subs and "beat" their price down;
- 2) They can't afford supervision of the work or continuity of the crews on the job;
- 3) They have no margin in the job to be able to take care of the real needs of the owner, leading to...

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Rules To Remember When Buying Construction Services:

- Be prepared to accept minimum quality when you deal with the lowest bidder.
- You will usually get a higher quality job if you choose your contractor based on confidence, trust and relationship...not just low price.
- The lowest price doesn't necessarily translate to the best price.
- If competitive bidding is so effective, why not take bids from architects, engineers, lawyers and doctors?
- All contractors are not equal. Some are much better than others. The best ones usually make a higher profit margin and they should—they deliver a better completed project!



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Piping Systems, Inc. Recently Recognized By ABC For Safety Excellence

The Massachusetts Chapter of Associated Builders and Contractors (ABC), the largest construction trade association in the Commonwealth, recently awarded Piping Systems, Inc. its national Safety Training and Evaluation Program (STEP) "Silver" Award for 2005. STEP Awards are presented to those companies recognized as having an outstanding commitment to jobsite safety.

Awards were handed out to member companies at a ceremony at the Montvale Plaza in Stoneham, with featured speaker State Representative James Vallee (D-Franklin). Gregory Brewer, PSI's safety director, was present to accept the award on behalf of Piping Systems, Inc.



The STEP program was developed and written by contractors, for contractors. The program benefits include:

- An organized approach for analyzing and developing safety and loss prevention programs;
- A valid, objective method for measuring safety program improvements;
- A safety performance recognition useful in business development.

The Massachusetts Chapter of Associated Builders and Contractors represents more than 420 local general contractor, subcontractor, and supplier and associate companies, which employ more than 20,000 workers throughout Massachusetts. It has spent the past 35 years fulfilling its founders' mission of promoting and advancing the merit construction industry and its philosophy that all construction contracts, both public and private, should be awarded to the lowest responsible bidder, regardless of labor affiliation.

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A Few Bucks...

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- 4) Change orders at unreasonable prices (they have to get enough money from somewhere!); and
 - 5) The worst thing—Excuses.
- Value Added contractors, on the other hand, are characterized by trying to determine the owner's real needs and devising a plan to solve his or her problems.
- 1) They are typically not the cheapest;
 - 2) They use qualified subcontractors at a reasonable price;
 - 3) They give the project lots of attention and supervision to ensure the final product meets the owner's expectations;
 - 4) They are reasonable and fair in their change order costs; and most important
 - 5) They are dependable and take responsibility for what they do. They know that cheap prices have to come from somewhere and that somewhere is at the expense of service.

While competitive in price, the value adders are typically not the cheapest in town (as is neither your doctor nor your attorney). They do, however, differentiate themselves by taking full responsibility for what they sign up to do.

Those who consistently furnish dependability, coupled with enough budgeted fair pricing to be able to complete the job exactly the way the owner expects it to be completed, provide the best jobs.



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