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A Review on Bidding Strategy and Bidding Process

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ABSTRACT: The construction branch is one of the important branch for achieving the economy of the country. so it is obligatory to find out a competent contractor among all, for the successful completion of the work. Construction bidding is the process of offering a proposal to undertake a construction project. And it is one of the methods for selection of contractor. bidding strategies vary from contractor to contractor and each contractor has a different view toward the factors affecting their bid decisions. This study aims to find an effective strategy for the selection of competent contractors and bid evaluation.

I. INTRODUCTION

The construction branch is one of the important branches for achieving the economy of a country because it involves major projects such as the construction of roads, bridges, tunnels, railways, etc. It costs high but it gives economic welfare to the country. Also, larger employment is there so the problem may arise during the selection of competent one i.e. Selection of a competent contractor. A competent contractor means an experienced contractor has the highest skills and knowledge with particular experience in the construction field. due to development in the construction sector, expectations of a client increase from the contractor. The way demand from the clients increases day by day because of the larger availability of contractors, so the selection of a competent contractor is a need in today's life.

II. METHODS FOR CONTRACTOR SELECTION

Contractors or contracting organizations typically grab the job through direct negotiation or competitive bidding.

Table 1. Direct negotiation

Direct negotiation
A. Meaning <ul style="list-style-type: none">In this type of procurement, a specific contractor or a firm is targeted for performing a job.
B. Advantages <ul style="list-style-type: none">Increase chances of private involvement when the cost of competitive bidding is high.It can stimulate a broad range of potential partners
C. Disadvantages <ul style="list-style-type: none">Lack of competition, reduces the cost-effectiveness



Table 2 Competitive bidding

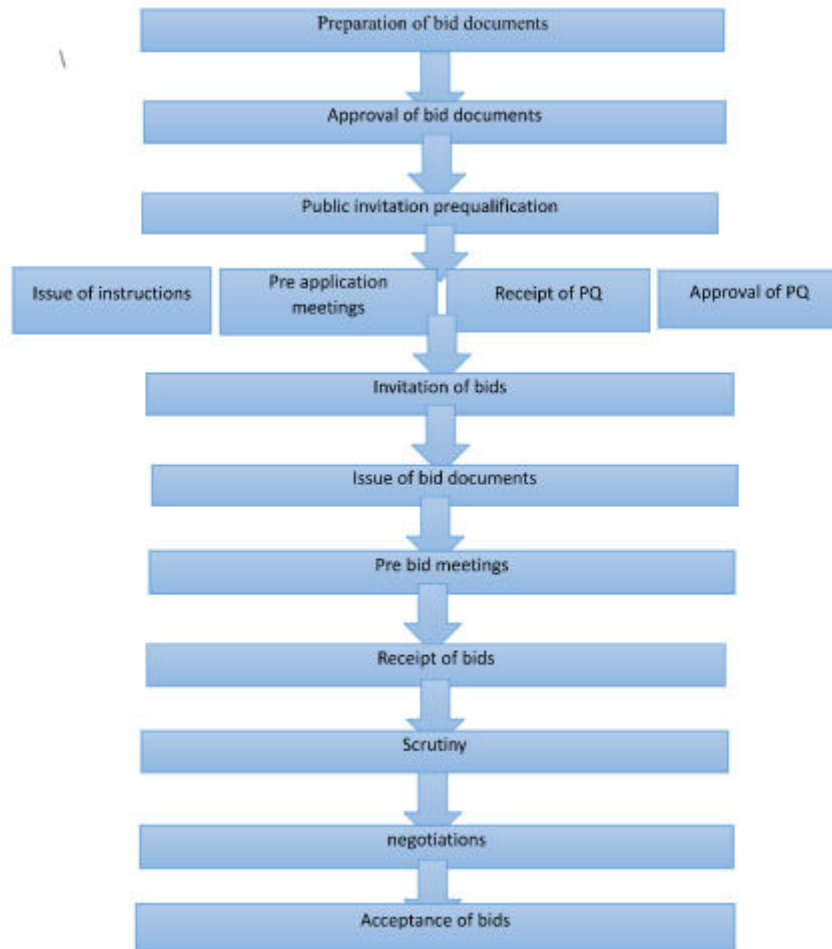
Competitive bidding
<p>A. Meaning</p> <ul style="list-style-type: none">• It is the Process of giving an offer to a particular contractor for successful completion of project.
<p>B. Advantages</p> <ul style="list-style-type: none">• It invites competition to attract the best potential or eligible bidder• Competitive bidding provides transparency.• It encourages bidders to be creative and innovative• It guards against corruption, fraud, etc.
<p>C. Disadvantages</p> <ul style="list-style-type: none">• Sometimes, bids can be difficult to evaluate and compare.• Cost of bid preparation may deter some bidders.

III. BIDDING STRATEGY

A strategy is an action plan for achieving a goal in the right way. In simple language, we can say that a strategy is a plan to grab the job. Bidding strategy involves managing all the available resources both physical and financial, to create competitive bidding by considering various aspects including the internal and external environment. It aims to win the bid competition and to deliver maximum performance in the job. Similarly, the construction field is spread out in different parts such as residential, commercial, infrastructure, recreational, healthcare, etc., which requires different skill levels, management approaches, and resource aspects. It is evident from the past research work that the strategy for operating and managing these projects varies with the type of project, size of the project, and client. Hence, selecting the right strategy is necessary for financial growth and successfully achieving the work. A bidding strategy consists of many decisions to be made including whether to bid or not bid. It is needed to bid high as much as necessary to make sure to get a profit on each job and low enough to grab the job. The difficulty may arise if contractors quote a higher rate than he gates the profit, but there are fewer chances of getting the job. Contractors may be faced with two very troublesome situations, first to grab the job without considering the profit with a low bid, and second no chance of winning the job with a high bid. Therefore between these extreme situations, there is a to win a job and make a reasonable profit.



BIDDING PROCEDURE



FACTORS AFFECTING BIDDING STRATEGY

Table 3 Factors influence bidding strategy

Internal	External	Environmental
<ul style="list-style-type: none"> • Project finance • Company characteristics • Experience • Benefit of business • Knowledge • Skills 	<ul style="list-style-type: none"> • Client characteristics • Project characteristics • No. Of competitors • Type of project • Risk • Relationship with owner 	<ul style="list-style-type: none"> • Bidding situation • Economic condition • Availability of machinery • Competition in the market • Availability of qualified staff and skilled labor.



PREVIOUS RESEARCH WORK

W fu et al (2003) focused on the Hong Kong construction industry to know the competitiveness of experienced and inexperienced contracting organizations. depending on the experience and it was found that the effect of experience had more significance when contract packages were more standardized. It was noted that in an experienced contractor organization bidding costs are more than in an experienced contracting organization.

W. lu et al (2007) analysed the past literature and past research papers related to bidding strategy and conducted a study on a Chinese construction industry he considered 48 different factors from the literature to know the importance of these factors. Questionnaire is prepared based on these factors. And the questionnaire is distributed among respondent's survey result from the responses, analyse by using SPSS software and the factors were ranked based on mean and standard deviation method the factors with a mean value more than or equal to 4 consider a critical. that factor which influences the competitiveness of bidders. Analysis of factors is carried out and grouped into 8 clusters such as project management technology, bidding relationship, structure the result shows that the factors like bidding strategy, competitiveness size were the least important factor for finding the competitiveness of contractor.

Xiaohong Huang(2011) developed a model for evaluation of a contractor and method for selection of a competent contractor.

F. Deng et al (2013) studied the past literature and research paper related to bidding strategies. different types of 34 factors considered for the formation of the questionnaires' this questionnaire is distributed among respondents in different regions are analysed with the help of SPSS software these factors are ranked according to the ranking method from the analysis qualification, skill, and work pattern were ranked in the top.

B. Dean Kumar et al (2013) studied the selection of a competent contractor, apart from the conventional method i.e. evaluation of the contractor based on the low prices coated in a tender, the selection of a contractor is based on the potential of that contractor for doing the work. for that fuzzy logic has been used to identify risk factors

Mostafa Khalifa et al analysed survey by asking the question to the expert in the construction field. by using SPSS software and analysis done from the respondents feedback.

Alptekn et al. (2017) analysed that it is very important to select a competent contractor because they have a big effect on projects and their successes. A competent contractor is one of the required need for the proper process and successful completion of a construction project. There are various theoretical frameworks or models applied in the evaluation of contractors.

IV. CONCLUSION

1. Contractors competitiveness is determined by a large number of factors. It is difficult to find all the factors at the same time as management practices always have to face limited resources such as money, manpower, time, and management efforts.
2. In today's highly competitive construction environment, one of the most important decision that have to be done by any contractor, competing in the market, is which price to bid for when a serious invitation has been received.
3. It is not the end desire of the clients to obtain a reasonable number of bids, but the most important objective that is strongly integrated with the participation process is to achieve the competitive bids that satisfy the clients' requirements and needs.

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