

## THE CONSTRUCTION NUMBERS GAME

Construction Projects Are Expensive. Since they require what we call "serious money", you know you should take the money aspect of them seriously. To help, I'm going to relate what we might call the "construction numbers game" to something more familiar in our day to day lives. After all, unless you're in a business or profession related to construction, you won't have the up-to-date experience to make informed, efficient and relaxed decisions about construction costs and contracts.

Whether we enjoy it, or loath it, we're all shoppers. When we're looking to buy, whether it's a book, a T.V., or a car, we intuitively know that behind the scenes there is a special number. Although we often don't know what it is, the special number represents the best possible price we can get. That "magic number" for what we want to buy is related to the cost of making the goods, the cost of getting them to us (shipping, marketing, intermediate mark ups, etc), and the profit the seller needs to do business. Most of us have a keen interest in getting as close to that magic number as we can. The success of discount chains, mail order merchandisers, and retailer 'sales' attests to that.

One classic example of the "shopping numbers game" is the experience of buying a new car, where we choose from three basic approaches:

1. Pay sticker price. This way is fast, easy and hassle free, but - you'll pay the sticker price! To many of us, the sticker price is synonymous with paying more than you could have.
2. Haggle, hassle, negotiate. This takes time, a certain temperament, and for most of us, it's a big headache.
3. Shop Smart. Do your homework to get a good deal. This approach seems to be becoming increasingly popular. It includes negotiating

from the dealers cost (which can be found from various sources such as Credit Unions, and Consumer's Reports), using fleet sales, using buyer services, etc.

Shopping Smart is a balance between getting the most for your money and avoiding hassle. This approach can work on a T.V. or car because they are products which are uniformly made in some distant factory. Although there can be big differences in service and advice, *what we pay does not make a difference in the product we get.*

So how does this analogy relate to the Construction Numbers Game? Unfortunately smart shopping for construction, whether remodeling, building new, or adding on, is not nearly so simple. Here's why:

1. Houses are a far cry from uniform products. They are actually an assembly of literally thousands of different products and components. Each of these myriad pieces can vary in subtle but significant ways. Some of these variations are subject to choice, such as lumber grades and concrete strength. Others are random, such as the color uniformity of a piece of oak cabinet stock, or the exact dimensions or color of a piece of ceramic tile. Sometimes the variations are so subtle it takes an expert to evaluate them, such as dye lot variations in carpet or fabric.

2. Service is a key part of every construction project. Remember that each and every one of these thousands of differing components need to be *put together by individuals on the job site.* How well that assembly is going to turn out is affected by an incredible number of factors. Some that jump into mind include the interest, talent and ability of the people who are doing the assembly, and even their moods and whether their stomachs are growling at the time. Their

work will also be affected by everything from the quality of the tools they have, to the weather conditions on the job site. Part of the contractor's job is to make sure that for every negative force tending to shift quality away from the target, there is a positive force to attempt to balance things. The juggling act that results never ends.

3. There is an inherent imprecision in construction. Even with the most complete set of plans and specifications, some things will be left to the imagination and judgment of the on-site assembly crew. Some things will even be left to "fate or luck". You can specify how many coats of paint to put on a wall, how well it is supposed to cover and that no drips, sags or skips will be tolerable, but it is tougher to quantify how "orangey" an "orange peel" finish is, or how much dust is acceptable in the finished coat. On a large scale commercial project, the specifications run to hundreds or thousands of fine print pages, and there is *STILL* some imprecision and judgment required. Residential projects, with tens of pages of specifications at best, always require more judgment, interpretation, and *plain old common sense*.

What can you, the would be smart shopper, do in the face of this daunting uncertainty? Tune in for my follow up column on the Construction Numbers Game!

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