

Locked pricing versus variable pricing. Does it matter?



Josh Campbell
Vice President



Executive Thoughts

Inside the Mind of One Engineering Group

As an owner of a civil and structural engineering firm, my constant focus is on “filling the pipeline” with projects, similar to most service businesses. The ability to develop new clients is a primary survival skill, and, I have had the client say 'no thanks' because they provide in-house engineering services. This seems like a very legitimate business strategy. In fact, it is a goal of many companies to be full-service. But when is it right for you to consider sub-consulting?

When it affects your bottom line.

Our primary clientele are architects and engineers. In order to grow our business, we had to think about sub-consulting and its profit potential from our clients' perspective.

The advantages to the architectural firm for sub-consulting are basic and effective:

- As a sub-consultant on a lump sum contract, our fee is locked and project specific. The architect or engineer knows the exact cost for structural engineering services. The in-house department's cost is variable depending on time spent, efficiency, and labor burden (i.e. taxes, insurance and benefits) which expose the architect to potential profit loss. We assume all the risk for profit loss due to potential labor and overhead overages.
- The architect or engineer can mark up our fee to insure a certain profit percentage.
- As a sub-consultant we take all liability and risk for our designs which lowers the exposure of the client.

We have worked with several firms as an engineering sub-consultant despite the fact that they offer the same services in-house. These firms have utilized us because we can outperform their in-house personnel in cost and efficiency. Our clients are our first priority.

The in-house department may be bottled up with too many projects, sick employees or distractions (administrative tasks, vacations, etc.), which at times can cause delays, increased costs and mistakes.

If you have an Executive Thought of your own, please send it to us. We'll post your thoughts on our site to share with our clients and your peers.

By using sub-contracted services, architects and engineers often find a “win-win” scenario. Their in-house department begins to operate more efficiently due to a relief in work load and the knowledge that their security is being competitively challenged by an outside source.

Case study: Glenn Campbell, PE and Brian Campbell, PE sub-consulted for structural engineering services on a \$27 million project. The client selected us because of our ability to work more efficiently than their in-house department. The project required a turn around for its full structural construction drawings and specifications in 6 weeks. We delivered our documents a day early, and our fee on the project was fixed, which allowed for guaranteed double digit profits to the architect on their predetermined budget for structural engineering.

Learn more about One Engineering Group by contacting us today.