

Facilities Management from A to Z



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Facilities managers often have to obtain prices from suppliers of goods and services before committing to a commercial arrangement. Many businesses, such as furniture suppliers or stationery companies, use a standard price list that remains the same for every customer, although a good facilities manager will always try to obtain a discount from the standard price. Larger, more complicated purchases or long-term contracts are more usually priced on the basis of a detailed tender document drawn up by the customer or its professional procurement adviser.

However, for smaller projects, some service providers, such as painters or carpet fitters, have to provide tailored prices for the specific products or services that the facilities manager wants to buy. This is usually done with an estimate or a quotation – and it is surprising how often new facilities managers are confused about the difference between the two.

An estimate is an educated guess at what a job may cost but it is not legally binding. To take account of possible unforeseen developments, it is often wise to request several estimates based on various circumstances, including the worst-case scenario. This will avoid major surprises when the invoice is eventually submitted.

A quotation is a fixed-price offer that cannot be changed once the customer has accepted it. This holds true even if the contractor has to carry out much more work than it expected. Where price certainty is difficult to ascertain, it may be preferable to obtain an estimate, as otherwise the contractor will increase the price to protect itself against negative financial impact.

All quotations and estimates should be obtained in writing and include a detailed breakdown specifying precisely what they cover and how variations outside of this will be addressed. This will help to avoid any disputes about what work is included in the overall price.

The document should state clearly whether it is a quotation or an estimate and will usually contain an expiry date after which date the price is no longer valid.

The Chartered Institute of Purchasing and Supply has many useful books and materials on purchasing that available from its website at www.cips.org.