



CASE STUDY

Fincantieri Marinette Marine

Fincantieri Marinette Marine (FMM) was founded in 1942 along the Menominee River Marinette, Wisconsin to meet America's growing demand for naval construction. From humble beginnings with a contract to build five wooden barges, FMM has grown into a world-class shipbuilder, having designed and built more than 1,500 vessels. Today, the company builds ships for both the US Coast Guard and US Navy, and their current project calls for FMM to complete 13 Littoral combat ships for the Navy.

“Everybody would take their own stab at the numbers using their own format, form, or version. It got to the point where you never knew what you were looking at and rarely understood what each estimator was doing.”

PHILIP KNOP

FMM'S Director of Financial Reporting,
Accounting and Compliance

Before ProPricer

FMM performs all their work as a subcontractor to large US Government prime contractors. As such, when developing estimates and pricing for projects, FMM is under extreme pressure to deliver timely and accurate bids, respond quickly to change orders, and present reporting sufficient for strict compliance measures.

As business volume and project sizes grew to their largest ever for FMM, their project estimating and pricing processes could not keep pace. This was due to their reliance on a hybrid system of Excel spreadsheets and in-house-developed pricing tools that caused processes to suffer from a lack of consistency and accuracy. While managing small change orders went well, large bids began to take several weeks to complete.

Since there was no standardized estimating and pricing tool in place,

FMM lacked control around data access, data rights, and the formulas that underpinned critical calculations. Essentially, estimators could make whatever changes they desired by inserting hard-coded data over formulas, unique labor estimates and rates, and associated indirect costs. “I’d have to review and validate every single file,” stated Knop. “We wasted countless hours having other people double-check the math to make sure we weren’t simply accepting bad data.”

Mr. Knop specifically cited the need to gain consistency in estimating relationships. “We needed to maintain estimating relationships so, for example, each welding hour could have the proper allocation of costs for weld wire, weld gas, etc.,” said Knop. “Those relationships simply did not exist in Excel or our other tools.”

Not only was the lack of consistency putting FMM’s profits at risk, it also spelled potential trouble with their prime contractor customer relationships. Each ‘prime’ wanted to receive all estimates and pricing in a certain format and a standard bid package in order to perform their own validations in a timely manner. According to Knop, “Negotiating a change order was horrible, because primes would pick apart things and request that they all align exactly with their view of a compliant bid. It required nearly endless back-and-forth.”

Recognizing the need for a more robust estimating and pricing tool, Knop and his team began to look for a tool that could ensure FMM could streamline and standardize their estimating and pricing processes.



Time Saving

“What took weeks now takes mere hours, I go into ProPricer, run the file, and see which rate table the estimators used, always knowing the math is right.”

PHILIP KNOP

FMM'S Director of Financial Reporting, Accounting and Compliance



Unified all-report data held in one place

ProPricer Transforms Madness into Method

As Knop's team began to look for an estimating and pricing tool, they discovered that their top customer at the time, a large government defense contractor, was using the ProPricer tool. “That was a great selling point to our own upper management team,” stated Knop. “It meant we'd be able to save lots of time and effort by seamlessly sharing files with them.”

Once the FMM team met with ProPricer's experts, FMM recognized how the discipline inherent in the ProPricer tool could serve as a forcing function for FMM to standardize their processes. “To use the tool properly, you need to get your pricing algorithm built and document the steps to roll up into that,” explained Knop. “It makes you be very specific about who has responsibility for each and every item.”

In just a few weeks, Knop's team achieved buy-in regarding roles and responsibilities as well as the ways in which estimators would roll up costs. As an example, FMM established roles for the following: the individual responsible for all rate information; the people charged with estimating hours; the people charged with estimating materials; and the department responsible for building the master file. “Once we did that and had the procedures, it became pretty seamless,” said Knop. It also provided a view into how much FMM had previously relied on ‘tribal knowledge’ over robust processes. “We had a pretty good laugh when we saw that an electrical engineer had been calculating many of our estimates,” stated Knop. “We realized the extent to which we needed ProPricer's structure.”





Fast



Flexible



Scalable

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After ProPricer

FMM has been using ProPricer for approximately four years, with impressive results. Since FMM uses numerous rate tables, the only manual checking they perform is to make sure the appropriate table was applied, based on the bid and year. Change order problems are also a thing of the past, as FMM handles the largest ones in just a couple of hours.

Not only is ProPricer helping FMM make fast, accurate bids, it enables simultaneous reporting. “I can dump ProPricer data into tables and reports the way our management team likes to view them,” said Knop. “And, we established a specific version for our prime-contractor relationship within ProPricer and exchange files with them in their standard bid package automatically.” Using ProPricer, FMM has reduced the entire cycle time for bids, change orders, and reporting by 75%.

An unforeseen benefit of ProPricer has been the ‘sanity check’ it imposes on estimates. Before ProPricer, FMM estimators would commonly adjust staffing numbers without similarly adjusting all related costs. Today, they always adjust criteria in proportional amounts. “At first, people thought ProPricer was randomly piling on costs, but they quickly saw that ProPricer was properly enforcing the formulas and preventing them from under-estimating prices,” added Knop. “We definitely have a better handle on our costs and what our bids should be.”

A third major benefit of ProPricer has been FMM's ability to scale up and down as needed. Because ProPricer serves as the singular data hub for all project estimating, different people work on different pieces of a bid, while one person choreographs the roll-ups. “It means we can scale for things like our latest opportunity,” said Knop. “We just bid another 13 ships in the time it would have taken us to bid 4 several years ago.”



Why FMM Continues to Like ProPricer



Benefits



Support



Customization



Ease of training

Philip Knop cites the structure, standardization, accuracy, and process speed gained using ProPricer as the tool's four major benefits. Yet, all that was made possible, because FMM staff found it easy to get 'up and running' quickly with the tool. Once the core evaluation team selected ProPricer, FMM sent several people to "Power User Training," and those people have trained others since that time. "Once people are in ProPricer and use it, it's pretty easy," said Knop.

FMM also benefited greatly from ProPricer support and services. When the Naval Sea Systems Command demanded certain unique forms and formats accompany every bid, ProPricer support staff programmed a custom form filler and output for FMM. "I literally would have had to spend six months typing those up," said Knop. "For a very nominal fee, I now have them in templated formats which I can print or share immediately." In fact, on the last bid by FMM, Knop estimates he saved a full week using this approach.

FMM's Future Outlook with ProPricer

FMM has gained new levels of confidence on bidding new projects now that they have a great system for performing highly estimates and pricing. Moreover, they are competing for an entirely new class of ships this time as the prime contractor to the US Navy. "We'll have all these business system requirements we never had before," said Knop. "But we know we have the rigor and structure in place as well as the ability to provide the extra levels of documentation they will require." He noted this would not have been possible five years ago without ProPricer. "We never would have passed the reviews. Now, it's set up to meet all those requirements."

Learn More

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