



Constructing a Price-to-Win

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Agenda

- **Introduction**
- **Competitive Assessment Process**
 - Customer assessment
 - Self assessment
 - Competitor assessment
- **Price-to-Win**
- **Basis of Estimate**
- **Summary**
- **Acronyms**



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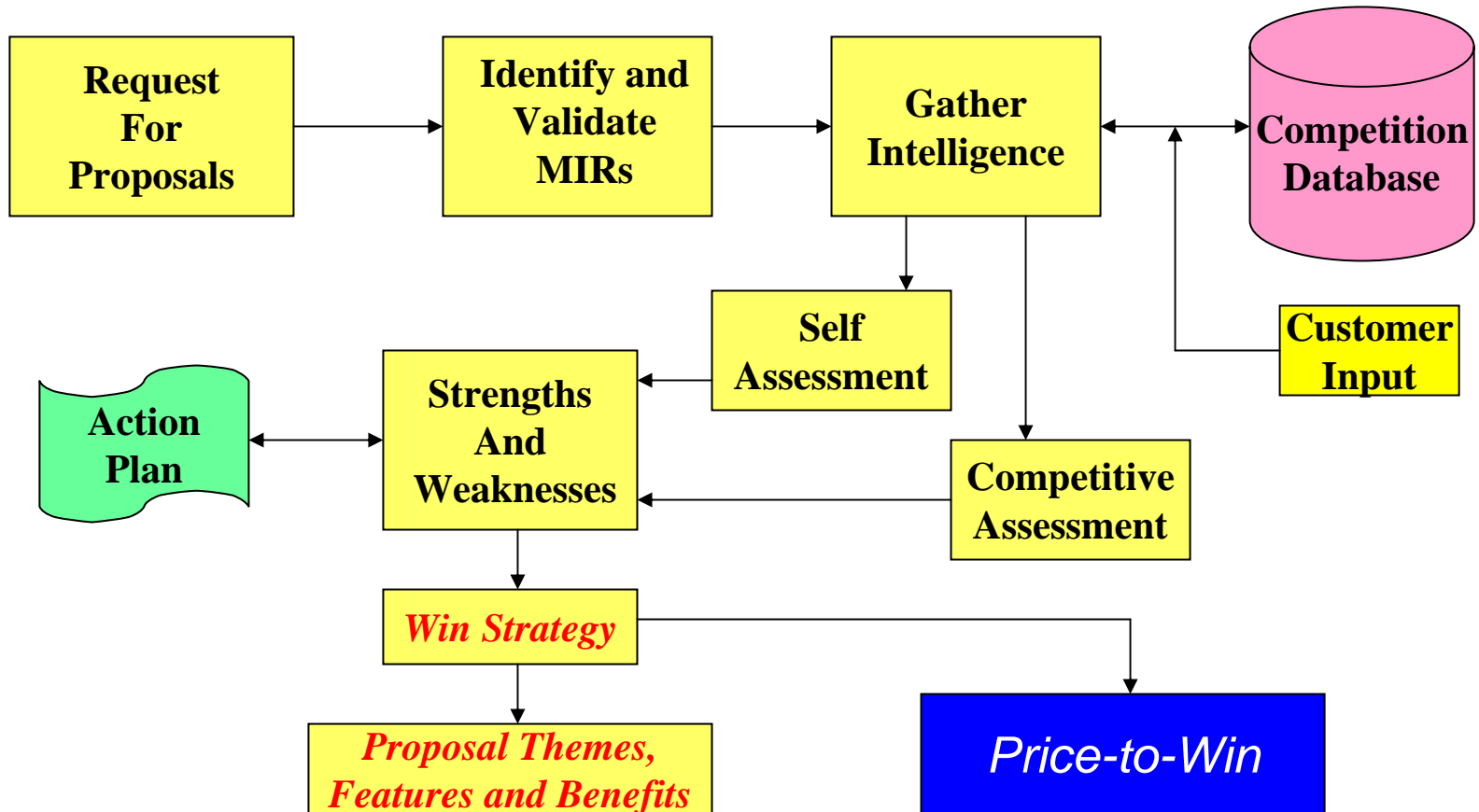
Introduction

- **Winning a competitive procurement requires more than just writing a good proposal**
- **A win strategy is required; one that has been formulated without consideration of the competition is bound to fail**
- **A competitive assessment is needed in order to**
 - Understand the customer's Most Important Requirements (MIRs)
 - Assess our own and our competitors' strengths and weaknesses against those MIRs
 - Investigate the competitors' current market position and behavior on recent, relevant competitions
 - Postulate the competitors' probable win strategy and price
 - Determine our own bid strategy
- **Developing our Price-to-Win (PTW) is an essential element of a winning strategy**



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Competitive Assessment Process





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Information Needs

You must have marketing intelligence on:

Your customer(s)

Yourself

Your competitors

Everyone is Involved in Data Collection

- **Winning strategy depends on excellent information network**
 - Capture-team members
 - Business development staff
 - Field representatives (yours and other companies')
 - Management
 - Teammates and suppliers
- **Develop alternate sources to:**
 - Correct communications errors
 - Remove biases, opinions, inaccuracies
 - Increase sample size (and confidence)

Who Is the Customer?

- **Everyone in the *two* organizations involved in buying and operating**
 - The acquisition agency
 - The user community
- **Learn everyone's roles and authority in:**
 - Defining requirements
 - Deciding program strategy
 - Deciding selection strategy
- **Learn who everyone's favorite contractor is**



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Customer Requirements

- **All customer requirements are real but do not necessarily have the same importance**
 - **Compliance Issues**
 - “must haves” with which all offerors comply but don’t produce differences among proposals; frequently “pass-fail”
 - compliance is a necessary but not sufficient condition to winning
 - **Discriminators**
 - make all the difference, whether technical, management, past performance or price
 - more than the requirement, lower risk approach, etc.
 - result from an assessment against the customer’s MIRs
- **MIRs are needed to assess our competitors (and ourselves!)**
- **MIRs for a program in formulation can be synthesized through regular contact with the program office**
- **Explicit MIRs appear in:**
 - **FedBizOps**
 - **Draft and Final RFP Section M (Evaluation Criteria)**



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Self-Assessment

- **See yourself as *others* see you**
- **Utilize unbiased, objective sources**
 - Customers
 - Other companies
 - Consultants
- **Resist the tendency to over-emphasize what you perceive to be your strengths**
 - The customer will be the judge

Intelligence on Ourselves

- **What do we bring to the party?**
- **Why should the customer want us?**
 - Unique technical solution
 - Low risk approach
 - Affordable cost
 - Domain expertise
 - Good past and present performance
 - System and software engineering processes
 - Skills to manage complex teams
- **Don't drink your own bath water!!**

Example of Unique Approach

- **“We will deliver the Core Operational Capability (COC) at the first site six months ahead of schedule”**
 - Benefit: “our approach could save \$1M in O&M costs on current system as a result of early cutover”
 - Credibility: “we will prove during our proposal demonstration that, for us, COC exists today”
 - Competition: (unsaid) we know he does not have a COC capability available until mid-2012, which will barely allow him to meet the required delivery
- **Use data richness examples to substantiate claims made in the proposal**



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Competitor Intelligence (1 of 2)

- **Company Data**
 - Annual Reports
 - Capabilities statements
 - Trade shows, exhibits, and other presentations
- **Public data**
 - Dunn and Bradstreet
 - Government reports
 - Business libraries
 - Trade magazines and newspapers
 - Freedom of Information Act (FOIA) requests
 - Source-selection debriefings

- **Interviews (face-to-face or telephone)**
 - Customers
 - Teammates
 - Consultants
 - Employees and ex-employees
- **Internet searches**
- **Search services**
- **Competition databases**



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Competitive Assessment Session

- **Involve any and all with knowledge of the competition**
- **Use some sort of score sheet**
 - Maintains focus
 - Provides documentation
- **Look at strengths and weaknesses of both self and competitors vs. customer MIRs**
 - Must be done from **customer** perspective
 - Must be honest and objective

Competitive Assessment Scoresheet

- Most Important Requirements (MIRs)**

	MIR 1	MIR 2	MIR 3	MIR 4
Company X	*			
Company Y				
Self				

* small boxes will contain either a “+” or a “-” or a “0”



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Scoresheet Legend

- + Distinct advantage when assessed against MIR**
- 0 No advantage or disadvantage**
- Distinct disadvantage when assessed against MIR**



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MIR Shoot-Out Summary

	1	2	3	4	5	6	7	8
MIR								
X								
Y								
Z								
Self								
Comments:								



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Action Required If...

- You are a “-” anywhere
- You are a “0” and the competitor is a “+”

Also

- If you are a “+”, how do you stay there?

Assessment of Strengths and Weaknesses

- **Competitor is a “+” and you are a “0”**
 1. **Make yourself a “+”**
 2. **Make your competitor a “0” or a “-”**
- **How?**
 1. **Customer requirements change**
 2. **Teaming**
 3. **Independent Research and Development (IR&D) or investment**
 4. **What else?**



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Influencing the Customer

- **Before formal Request for Proposal (RFP) release, you have the opportunity to interface with your customer:**
 - Draft RFPs
 - Industry Days
 - Electronic Bulletin Boards
 - Bidder's Libraries
- **Watch how the solicitation package changes**
 - Based on your inputs
 - Based on your competitors' inputs

Improving Features and Benefits

- **Rethink solutions and strategies**
 - Revisit alternatives and trade studies
 - Review teaming alternatives
- **Reshape customer's perceptions**
 - Revise MIR order of importance
 - Make cost the “most important” MIR
 - Ghost the competitors' likely solutions
- **Reassess your ability to compete**
 - *Can you ever get better?*



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Ghosts

- **Bring to bear the power of Negative thinking!**
- **If effectively raised and the competition hasn't thought of it and/or countered it, he gets hurt**
- **Bring up the ghost, then show that the same ghost is not in your approach:**
 - *“An offeror that does not share our emphasis on personnel recruitment, training and retention runs the risk of high turnover rate; for the last four years, we have demonstrated the best white-collar retention rate in our industry.”*



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Ghostbusters

- **Tackle your own problems head-on**
 - Never ignore a weakness or deficiency
 - Your customer and/or your competitors will know
- **Devise methods to correct the shortcomings**
 - *“Because we experienced some throughput difficulties on the XYZ project, we invested \$500K of our own funds to upgrade our bench test facility in order to protect the aggressive delivery schedule required on this effort.”*

Reducing Risks

- **Educate the customer on your approach**
 - White papers, briefings, visits
- **IR&D or investment**
- **Demos, simulations, prototypes**
- **Fix customer perception of problems**
- **Initiate/complete contract tasks *prior to award***
 - Accelerates schedule
 - Proves technology
 - Enhances proposal credibility



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Action Plan

- **Identify required actions**
- **Designate a single person responsible for closure of each action item**
- **Establish schedule and cost for each item**
- **Spell out expected result of each item**
- **Develop the “Action Plan”**
- **Tie plan to MIRs, win factors, strategies**



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Go-No Go Questions

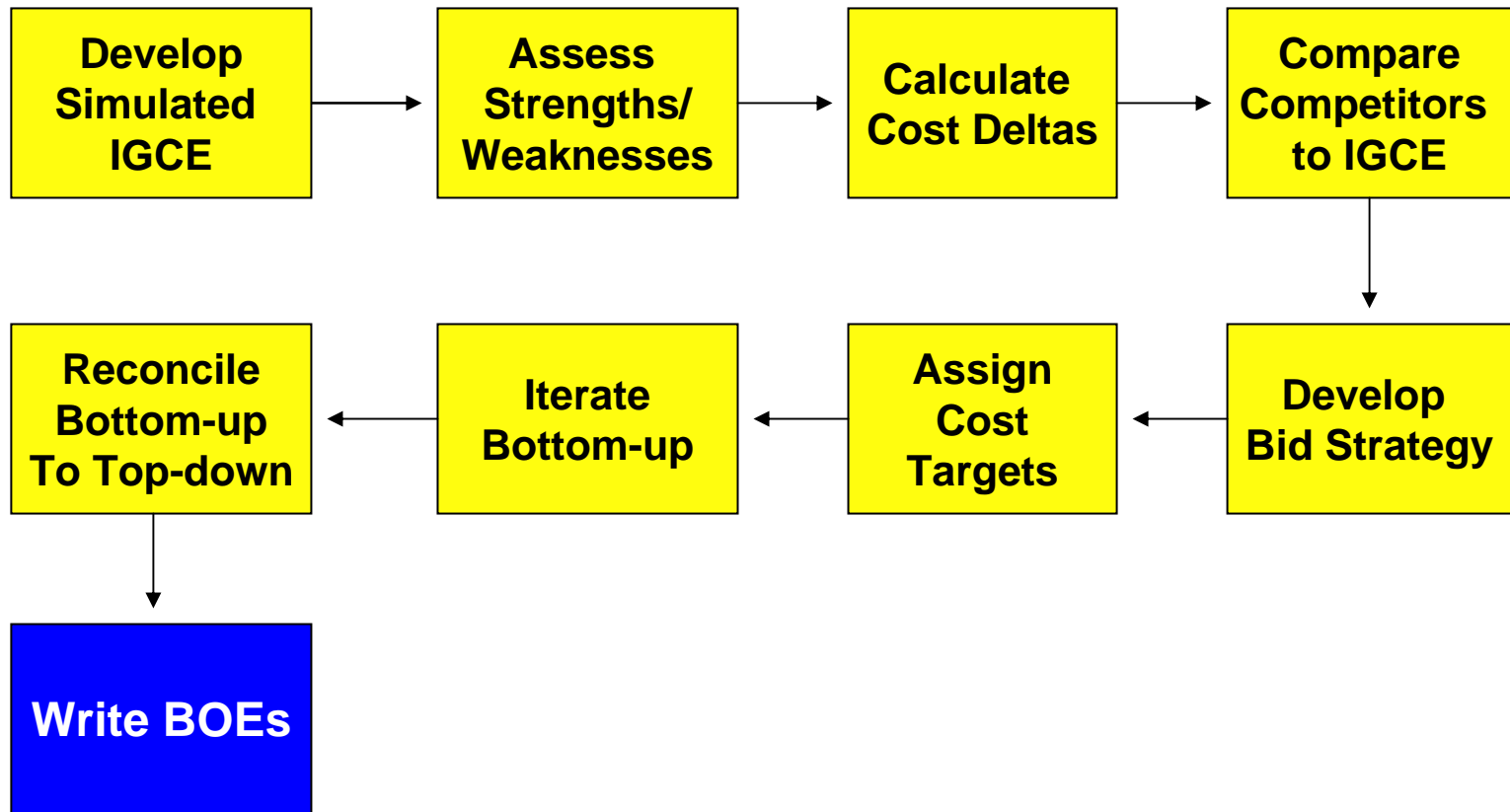
- **What gaps do we still have in technology?**
- **What gaps do we still have in personnel?**
- **What gaps do we have in experience?**
- **Who do we have to beat to win?**

We know and acknowledge that we are either the front-runner or else a lesser competitor with a lower probability of win.



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PTW Process





Price-to-Win (1 of 3)

- **PTW begins with a simulated Independent Government Cost Estimate (IGCE)**
 - Using analogy, parametric or bottom-up techniques, develop an estimate of the Prime Mission Product (hardware and software and integration) and the Acquisition Support Cost Elements (Systems Engineering/Program Management, Test, Data, Training, Support Equipment, etc.) by individual Work Breakdown Structure (WBS) item
 - Document the estimating process used for each WBS item to allow replicability by the client
- **This simulated IGCE is a surrogate for the Government's cost estimate of what they expect the program/project to cost (now known as "Will Cost" in the latest Office of the Secretary of Defense [OSD] direction)**



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Price-to-Win (2 of 3)

- **Next, the potential strengths and cost advantages of each competitor are analyzed and quantified as a delta cost to the IGCE by individual WBS element**
- **Advantages (identified in the Competitive Assessment) could include**
 - Leveraging off other similar programs
 - Quantity buy discounts
 - Rate advantages due to accounting structure
 - Higher software development productivity
- **Need to also look at where the competitors might have a cost disadvantage and estimate those deltas**
- **Again, the rationale for assigning cost deltas (minus or plus) is documented for the client**



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Price-to-Win (3 of 3)

- **Each competitor's likely bid price is then compared with the simulated IGCE to provide the client with a summary picture of where the competition is likely to be**
- **The client can then determine his or her bid strategy, for example:**
 - Lowest evaluated price
 - No more that 10% above the lowest competitor's price
 - Somewhere in the range of likely bids, but with a technically superior offer
- **A PTW dollar figure is selected based upon the chosen strategy**



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Top-Down vs. Bottom-Up

- **PTW analysis result is allocated to the WBS items (cost targets, or “bogeys”)**
- **Bottom-up cost proposal usually (always?) results in numbers higher than the “bogeys”**
 - Re-verify total PTW
 - Reassess allocation of the PTW to the WBS
 - Revise technical/management approach
 - Continue to iterate the bottom-up
- **Either reconciliation is not achievable (and it may be time to fold) or the basis of estimate can be made to support the top-down “bogeys”**



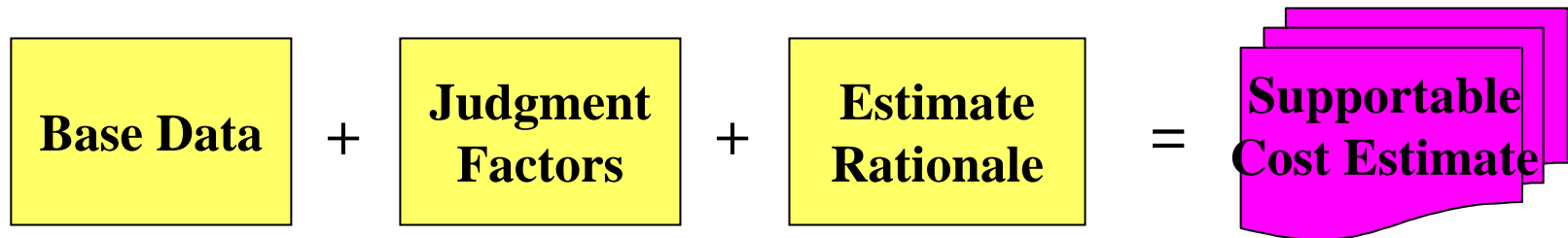
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Iterating the Bottom-Up

- Challenge those areas that don't reach their “bogey” - accept only reasonable and justified estimates; attack “padding” of estimates
- Get the lowest supplier prices possible and maintain competition amongst vendors
- Conduct design trade-offs: *repeat, adjust, repeat*
- Don't accept the excuse that *“this is the way we've always done it.”*

Basis of Estimate

If reconciliation of the top-down and bottoms-up is achieved, there remains the task of writing the Basis of Estimate sheets to justify the bid price



Four key questions must be answered:

- 1. What are the base data that were used?**
- 2. Why are the base data relevant?**
- 3. What adjustments were made to the base data?**
- 4. Why are the adjustments appropriate?**



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Summary

- **A solid Competitive Assessment is an essential component of a winning competitive bid; only by objectively assessing the customer, ourselves and the competitors can we have any confidence that the bid strategy we have selected is the optimum for the instant opportunity**
 - Competitive Assessment does not merely depend on **history as a predictor of the future**; it requires analysis of market conditions, recent competitions conducted by the customer, competitors' financial health, program importance to those competitors, and other factors in order to develop an overall picture relevant to **today's environment**
- **Price-to-Win is the conclusion of the Competitive Assessment process and the “pathway to a win”**



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Acronyms

- **BOE** **Basis of Estimate**
- **COC** **Core Operational Capability**
- **FOIA** **Freedom of Information Act**
- **IGCE** **Independent Government Cost Estimate**
- **IR&D** **Independent Research and Development**
- **MIR** **Most Important Requirement**
- **OSD** **Office of the Secretary of Defense**
- **PTW** **Price-to-Win**
- **RFP** **Request for Proposals**