

# Top Pricing Strategies & Critical Preparation Steps



When it comes to strategizing, and preparing the pricing for a proposal sometimes the simplest things are taken for granted. Much like in real estate, it is location, location, location and in the proposal process it is preparation, preparation, preparation. After Offeror determined what its niche is and are focused on the agencies that the Offeror can comfortably market to, the Offeror can then determine competitive pricing. To do so the Offeror will need to take advantage of government estimates and historical data. Justify why the Offeror approach is aligned with industry standards and how it will influence the agency's outcome. Businesses need to be aware of government regulations and the procurement process to ensure pricing is compliant. Never pass up an opportunity for a face-to-face with the Government customer. These meetings help to put a face with the Offeror's company name. Attending pre-bid and pre-proposal conferences are essential to learn more about the customer and what the program requirements expectations are. It's also a great opportunity to see who the Offeror's competition will be for the proposal. Businesses need to read the solicitation, reading it more than once is quite beneficial. Businesses need to assess and reduce their risk; by identifying any technical gaps and the need to add subcontractors to bring balance to the team; determining their pricing strategy to ensure they have a good sense for competitive pricing and labor mix; most importantly; will the contract be profitability for the business.

## 1. Learn Customer Buying Behavior

Identifying what the customer's available funding is for the program, what the source selection tendencies have been in the past, and what the customer expectations and program characteristics have been will help with the Offeror's bid strategy. This is an area where Pre-RFP Release capture and business development can earn you a leg up on your competition in both price and solution strategy and content.

## 2. Conduct Competitor Bottom-Up & Top-Down Analysis

By conducting a competitor bottom-up analysis of the strongest competitor the Offeror will need to start with its own cost baseline on the bid; identify customer requirements and generate estimates for each. But be careful, if cost estimates are inaccurate or contain inefficiencies, competitor analysis may be less accurate. The bottom-up competitor cost should be at least to the 3rd WBS level, this will help to deduce the architecture of the competitor's possible solution. When conducting a competitor top-down analysis the Offeror will want to look at competitor's past bids; understand work scope, order size, delivery schedule, level of competition, and use these to establish a cost baseline. Again, as in Item #1, the Capture effort can many times acquire some of this "Street" information.

## 3. Read and Follow ALL Instructions, i.e. Evaluation Criteria

Attention-to-detail is key when responding the solicitation. Only provide the information in the proposal that is specified in the solicitation. Be thorough, a detail justification of technical approach and pricing will help both the evaluator and the bidder. How many times have you seen PWS/SOWs larger in page count than the required Response page count? Knowing the customer will many times determine which requirements are critical and require a response and which ones will be ignored in the final evaluation.

## 4. Identify Labor Categories & Develop Labor Descriptions

The Offeror needs to show each category of direct labor proposed. Identify and justify each labor category, and explain the methodology used to project the escalation of each rate. Explain the different types of rates being proposed; full-time, part-time, and temporary positions and how they impact the direct rates proposed. Identify and explain the impact of uncompensated time on the direct rates proposed. Show the level of effort proposed for each labor category. For new or unfilled positions, a historical

average, signed offer letter, or description of the labor category should be provided. It may be required to work with Human resources to accurately garner this information.

**5. Gather GSA Labor Rates or Catalog Labor Rates**

In many cases, GSA pricing should be used as the basis of the Offeror's pricing, if available due to the requirement to provide rate build-ups. If the Offeror does not have a GSA schedule, then Catalog/List Pricing should be used. Include copies of the price catalog/list that validates the proposed price if these are the basis of the Offeror's proposed pricing.

**6. Develop Basis of Estimate & Justify All Cost Proposed**

The BOE provides insight into methodologies used in estimating the labor skill mix by labor hours, other direct costs, materials, etc., required for successful performance on the contract for the cost estimates. It is the intersection of Cost and Level of Effort. A description of the processes and methodologies, and how these relate to the technical approach described in the proposal need to be submitted. The BOE should be at the same Work Breakdown Structure (WBS) level as the cost proposal. The Offeror shall include a matrix allowing traceability to the technical understanding and other pertinent parts of this Cost Proposal. The information provided will be used to assess the reasonableness and realism of the Offeror's estimate and will be utilized in developing the Government's most probable cost rationale.

**7. Make Certain Your Proposal Response Contains All Required Documents**

The cost volume is composed of the executive summary, Section A, Section B (Standard Form 33, 30, Schedule B, as applicable), Deviations, Exceptions and Assumptions, Section K - Representations, Certifications & Other Statement, Financial Data Requirements, Cost Narrative, WBS, BOEs, Company Experience, Level of Effort, and Pricing Model. The technical volume is comprised of the Technical Approach, Management Approach, Subcontracting Plan, Quality Control Plan, and identify any Key Personnel & resumes.

**8. Compelling Pricing Proposal Narrative**

Be specific in defining what the objective is by specifying the who, what, where, when and how in the narrative. Ensure your objective has a measurable outcome. Ensure that the objectives are in line with your organization's mission, services & clients and that your objectives are in line with your organization's capacity and capability. Confirm that the objectives can be reached during the contract period of performance. Remember, that if you cannot execute on the Price, you are better off losing the bid.

**9. Check for Solicitation Amendments**

It is important to assign someone from the proposal team to continuously monitor for solicitation amendments. Multiple times a day is ideal when time windows are small and also critical. Missing the release of an amendment could mean wasting time and resources.

**10. Submit Proposal ON TIME!**

The last thing you want to do is work weeks, even months on a proposal response to end up sitting in traffic, or worse yet, driving up to the agency main gate to sit in line and wait your turn for the vehicle inspections to miss the submission deadline by minutes. Yes, it does happen! It's a bidder's worst nightmare too! So be prepared, leave plenty of time in the schedule for submission. All else fails...submit the day before it due!!