



Price-to-Win Methodology

October 2009



PTW Perspectives

Imagine a Capture Executive...

- Bidding against Company A on a job similar to the Air Force Integrated Strategic Planning and Analysis Network (ISPAN) Modernization NOT knowing Company A bid 76% of the customer's project-specific funding stream to win that deal
- Bidding a similar job at Johnson Space Flight Center NOT knowing the customer was unwilling to pay an 8% premium for a 39% higher technical/management score
- Bidding a DoD intelligence support services job in Germany (Company B is one of the competitors) NOT knowing the rates Company B recently bid to unseat Company C on a similar contract being performed in Germany (examples:)

Labor Category	Year 1	Year 2	Year 3
Senior Principal Analyst	\$40.98	\$41.77	\$42.58
Intelligence Analyst - Signal	\$55.27	\$56.35	\$57.45
Intelligence Analyst - Topographic/Terrain	\$53.24	\$54.28	\$55.34
Intelligence Analyst - Counter-intelligence	\$48.92	\$49.87	\$50.84
Military Intelligence Planner	\$33.04	\$33.67	\$34.32

PTW Perspectives

Imagine a Capture Executive...

- Bidding a linguists infrastructure support services job (Company D is one of the competitors) with a requirement for foreign language text analysis tools NOT knowing Company D already developed a tool under R&D that meets all the requirements
- Bidding an DoD operations planning and training support job (Company E is a competitor) NOT knowing their teaming strategy (Company E) is built on low-rate firms to drive the blended rates and evaluated price down
- Bidding an Civilian Agency Financials ERP deal (Company F is a competitor) NOT knowing their ERP Software Provider (Company G) won a recent deal with another Prime integrator using a 95% discount on the license fees
- Bidding a major services ID/IQ deal against Competitor H NOT knowing that a reverse engineering analysis of recent Competitor H ID/IQ wins (after filtering out gamed elements) yield a consistent wrap rate trend in the 1.82 - 1.85X range for Government Site and 1.98 – 2.01X range for Contractor Site rates

PTW Perspectives

Imagine a Capture Executive...

- Bidding a technical services contract at one of the Air Force Research Labs NOT knowing that the Lab has completed an analysis of all contractors rates by labor category and indirect rate structures (available in the public domain) and will use this for their IGCE
- Bidding an A-76 outsourcing deal against Competitor J NOT knowing that this company has historically bid 42-45% fewer FTEs from the current baseline and 50-55% overall lower cost than the current baseline

These examples are typical of the many factors and considerations that drive the development of a PTW.

Now, putting PTW into context...

Price-to-Win Overview – Putting it in Context

PTW informs the ability to predict and execute pricing decisions based on these perceptions

What

In the Federal market, PTW is one of the most important components of Competitive Intelligence

- A competitive analysis (CI) project on a major Federal acquisition is incomplete without a PTW component

Your company is characterized in relation to a dynamic environment of competitive threats, customer interactions and other related intelligence

Goal

Develop a common operational picture of the competitive landscape (common picture for executives, account managers, capture manager, pricing team, etc.)

Critical Inputs

“Sensors” establish and maintain situational assessment (in the context of PTW)

- Includes account managers, teammates, consultants, pricing organization (analysis of FOIA data, etc.), Government customer (historical data), open source information services, etc.

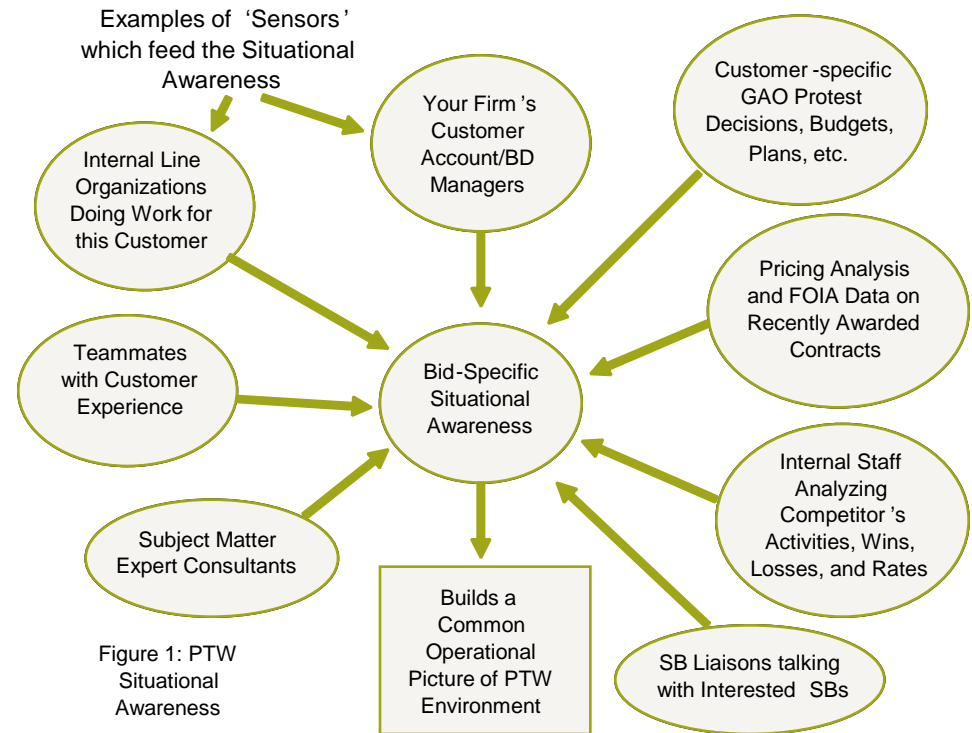


Figure 1: PTW Situational Awareness

Price-to-Win Overview

What is the “price to win”?

- Defining the term, PTW is the price which when integrated into the Government’s source selection process
 - Results in a winning bid (single award or multiple award)
 - Ranks you high enough, based on the objective and subjective assessments from the Source Selection Evaluation Board, to guide the Source Selection Authority to award the contract to your company
 - Includes both price and non-price factors and weightings)

PTW is not always about pricing at, or below, the lowest-price, highest-risk competitor

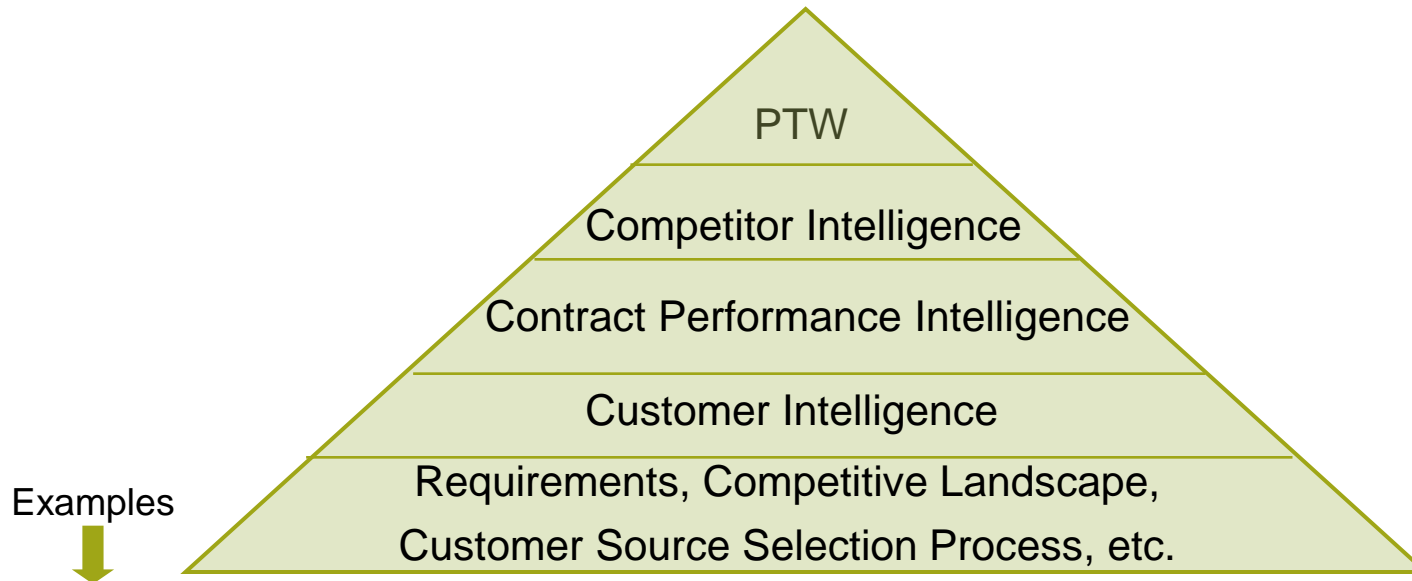
PTW Process Overview

Elements of the PTW determination

- Price-to-Win is a multi-variable hypothesis of the competitors' predicted behavior
 - It is not simply applying the competitor's historical pricing behavior
 - It takes into account variables associated with the Government customer (example: competitor's view of evaluation process)
- Major PTW Variables include:
 - Customer's funding/should-cost/ROMs, etc.
 - Customer's historical buying behavior
 - What the customer is saying about this specific opportunity (predict their buying behavior based on their stated preferences)
 - Competitor's likely win strategy, approach and teaming strategy
 - Competitor's historical pricing behavior
 - Competitor's likely pricing behavior on this specific opportunity
- A good, independent, PTW will provide alternate approaches/solutions to the requirements (through the competitors' eyes) that will challenge the capture team to confirm they have made the best strategy decisions

Dimensionality of Competitive Intelligence

Building an information foundation for PTW development in the Federal market requires multiple steps



Contract-Performance CI (the environment during implementation impacts PTW)	<ul style="list-style-type: none">▪ Intelligence on the labor market where the services will be performed▪ Complexity of the system interfaces will impact development costs
Customer Intelligence	<ul style="list-style-type: none">▪ Propensity to award to the low bidder▪ What are they paying for similar services (drives their IGCE); budget/should-cost data
Competitive Intelligence	<ul style="list-style-type: none">▪ Wrap rate analysis of recently awarded contracts▪ Teaming structure/likely allocation of work across the team

PTW Credibility

PTW credibility is critical for the analysis to be accepted as valid and useful

Elements of PTW Credibility



**Once a PTW is put on paper,
it takes on a life of its own ...**

- Process of how the PTW lead strategist arrived at the conclusions and PTW
- PTW strategist's understanding of the job and ability to answer specific questions
- Assumptions, approach, pricing analysis and likely win strategy of the competitor
- Confidence of the PTW strategist to believe, defend, and promote your PTW

PTW Process Overview

The PTW strategist and supporting organization must have a broad understanding and experience

Attributes of a
Competent PTW
Consulting
Organization



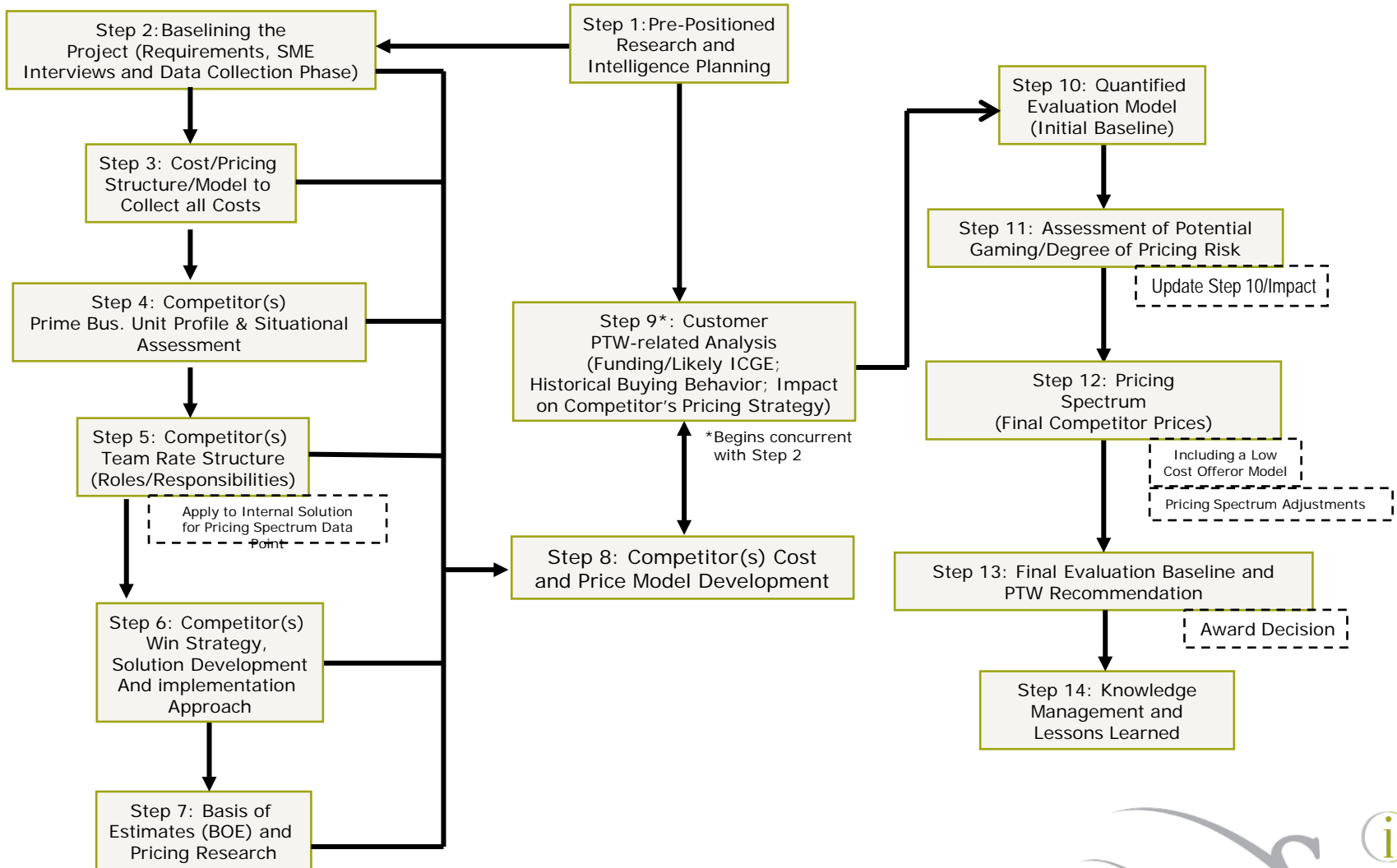
- Ability to read/understand system requirements docs/SOW/CONOPS, etc.
- Ability to conceptualize an architecture and construct a solution-driven bill of materials
- Experience building indirect cost structures and disclosure statements; Government cost accounting system knowledge
- Ability to account for all skills/positions required to execute the requirements
 - Experience derived from working programs on the implementation side
- Ability to interview SMEs for background information to identify range of approaches, cost drivers, etc.
- Use of Excel and other tools for cost modeling
 - SEER, Cost Xpert, etc.
- Intuition to build a set of logical assumptions for each competitive target from experience and knowledge of the competitive landscape

Major Steps in the PTW Process

Proprietary 14-Step Process for PTW analysis

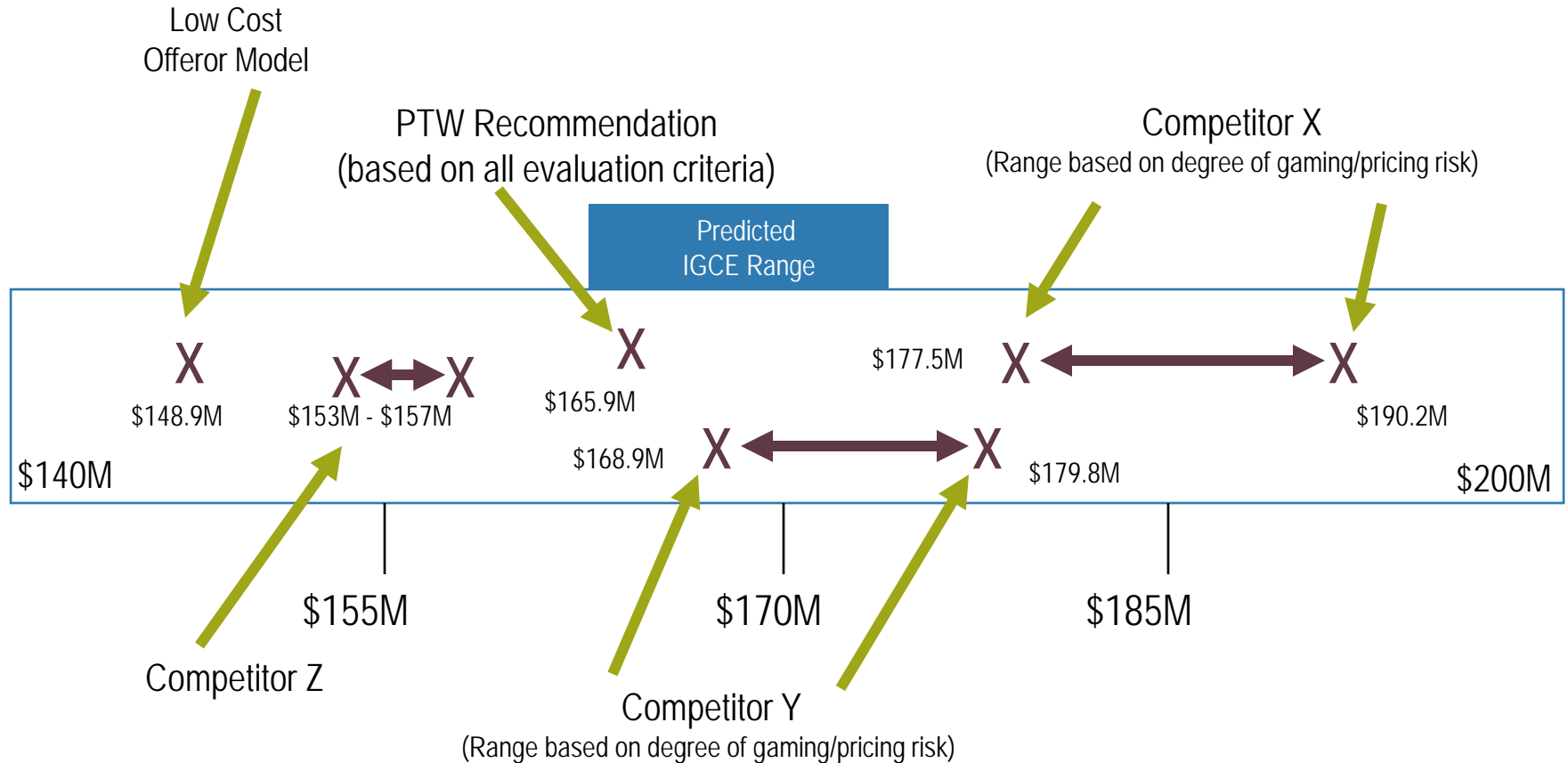
- Starts with pre-positioned PTW research and intelligence planning (driven by the pipeline)
 - Develop Intelligence Need Sheets early for each opportunity
- Includes profiling and creating a “strategy personality” to each competitor
- Integrates competitor’s perceptions of what the customer wants, and the customer’s evaluation process
- Includes a pricing spectrum to present a visual picture of the landscape
- Provides for PTW Knowledge Management

14-Step Process for PTW analysis



Step 12: Pricing Spectrum

Example



PTW Process (Cont'd)

GWAC proposals also require A PTW analysis to ensure success

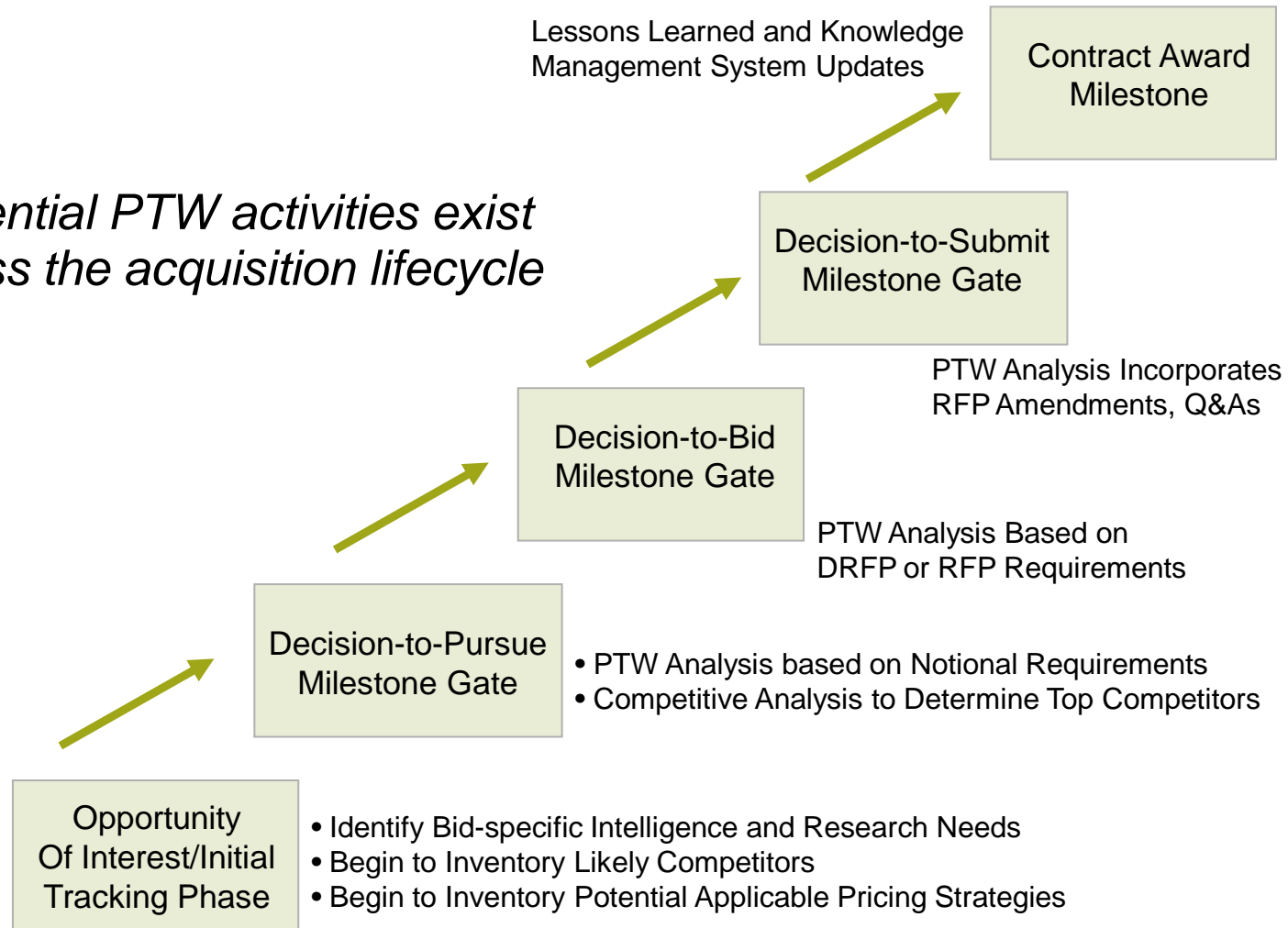
Millennia Case Study



- Multiple award GWAC
- Client: Company Z
- Client Executive: Company Z - VP, GWACs
- Guidance after internal competitive analysis review (including rankings): "...develop a PTW strategy for Z that positions us fifth (5th) in the pack..."
- GSA debrief to Company Z after the win: "...you ranked 5th in the competition..."
- Key Point: WE HAD A STRATEGY that allowed us to protect as many execution categories as possible that optimized ranking fifth in the pack

PTW Life Cycle Milestones

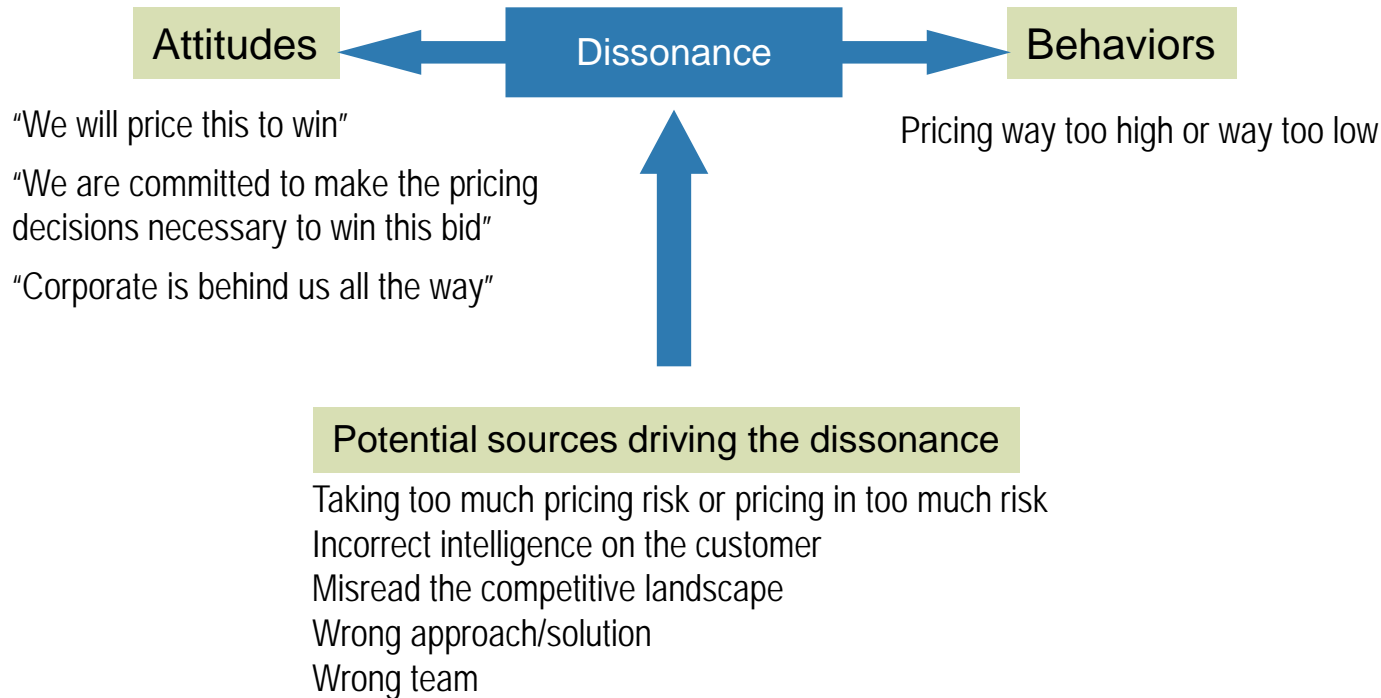
Essential PTW activities exist across the acquisition lifecycle



PTW and Cognitive Dissonance

A mature PTW process is a key enabler to minimizing the dissonance

Cognitive Dissonance: Inconsistencies between attitudes and behaviors (cognitions) compel people to take actions to minimize the amount of dissonance (conflict) between the cognitions.



Key Points

- PTW has to be part of the corporate business development culture to be effective
 - Organization values and uses competitive intelligence in making decisions
 - Needs to have a defined process (continuously improved over time) and Review Templates
 - Develop a PTW Dashboard template for executive reviews
 - Situational assessment “sensors” must be accountable for providing intelligence
 - Must be a learning organization (PTW knowledge management)
- PTW must be
 - Performed by individuals outside and independent of the capture/proposal team,
 - Credible
- Misconceptions about PTW
 - PTW is the lowest possible price a competitor could bid
 - Unless Section M calls for Lowest Price/Technically Acceptable
 - PTW is primarily based on historical pricing behavior
- PTW has multiple variables which need to be integrated into a common operational picture to determine an accurate recommended result



Appendix

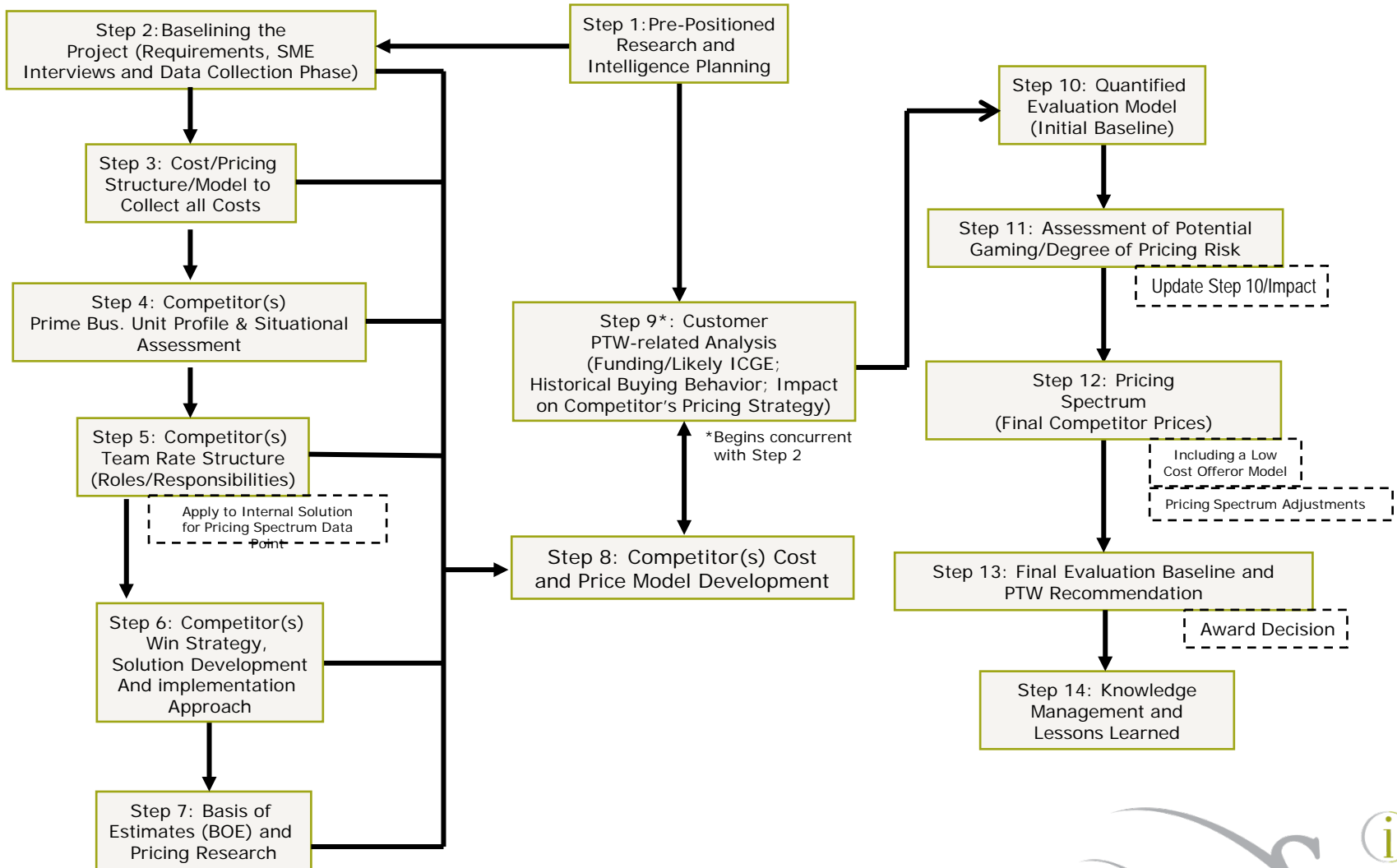
Price-to-Win 14-Step Process Details



Objective

Define our repeatable process that results in high quality, accurate outputs for determining the Price-to-Win (PTW) on new business pursuits

14-Step Process for PTW analysis



Step 1

Pre-Positioned Research and Intelligence Planning

Acquisition of long-lead pricing intelligence

- FOIA Requests, etc.

Preliminary competitor research on upcoming deals

- Most likely targets

Preliminary domain research on upcoming deals

- Example: UAVs, ERP, etc.

Step 2

Baselining the Project

Distill RFP Requirements

- Visual of Architecture/Major Elements of the Project
- Identify cost drivers and pricing requirements

Data Collection Sheets

- Interview Key Functional Area Proposal Team Members and SMEs
- Background information to test solution assumptions and account for all major requirements

Step 3

Cost/Pricing Structure to Collect all Costs

- Use a Simplified Work Breakdown Structure Concept
- Map to CLIN Pricing Roll-ups
- Consistent with RFP (Sections B, L, etc.)
- Sample Tasks (if applicable)

Step 4

Competitor Profiling

Identify Specific Prime Business Unit

- Drives Rate Structure, Past Performance References, Skill Set of the Capture Team, etc.

Competitor Team Composition

- Impacts Overall Team Pricing
- Impacts Evaluation Model
 - May bring unique customer insight
 - May bring niche quals/past performance

Competitor State-of-Mind

- Recent wins/losses/past performance issues
- Internal and external pressures to win

Step 5

Competitor Team Rate Structure (1 of 6)

Evaluate Likely Roles Across the Team

- Drives Types of Labor Categories

Evaluate Distribution or Work Across the Team

- Drives Their Weighted Impact on Price

Assess Prime's loading on subcontracts, materials, ODCs

- Could be a Cost Driver

Step 5

Competitor Team Rate Structure (2 of 6)

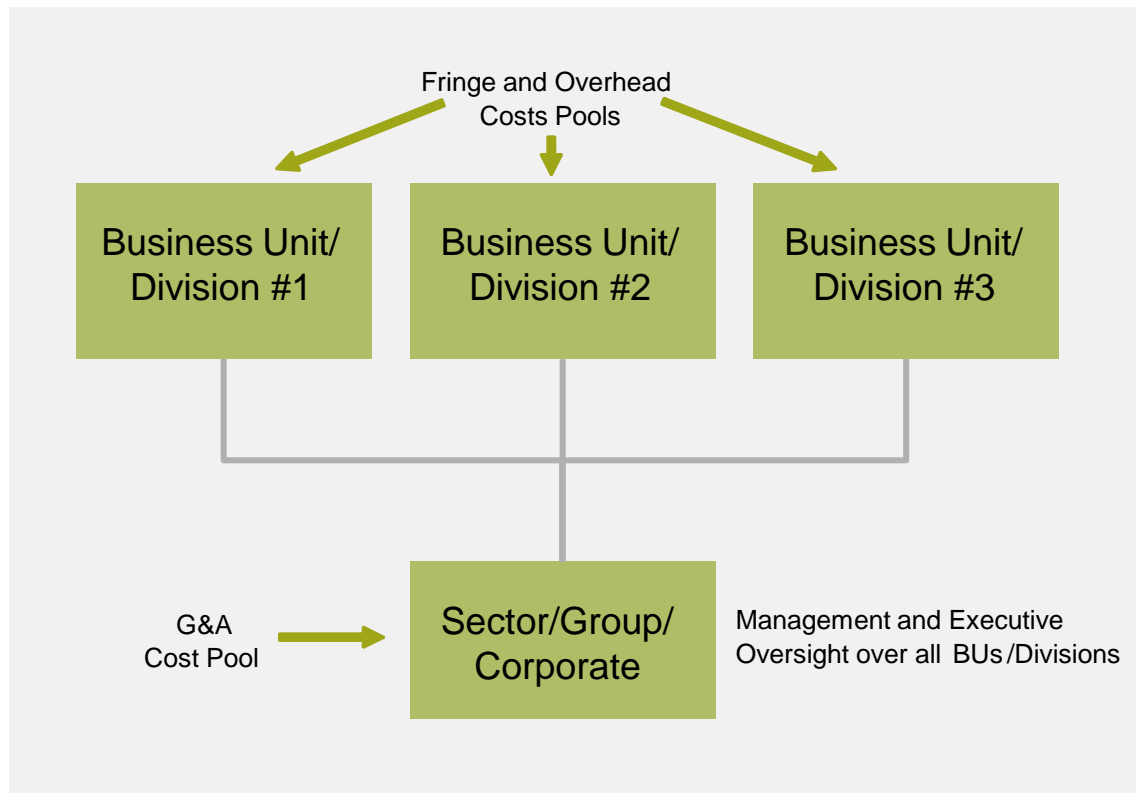
Rate Structure Elements

- Fringe
- Overhead
- G&A
- Profit Position

Step 5

Competitor Team Rate Structure (3 of 6)

Structure Example



Step 5

Competitor Team Rate Structure (4 of 6)

Examples of Fringe Cost Pool Elements

- FICA/Medicare Employer Matching
- Workers Compensation
- Vacation
- Paid Holidays
- Other Paid Time-off (Sick time, Jury Duty, Facility Shut-downs, etc.)
- Unemployment Insurance
- Employer-paid Health Benefits (Medical, Dental, Life, Vision, Wellness Programs, etc.)
- Employer-paid contribution to retirement programs (401k, etc.)
- Bonuses

Step 5

Competitor Team Rate Structure (5 of 6)

Example of Overhead Cost Pool Elements

- Occupancy/Facilities-related costs (leased space, utilities, maintenance, etc.)
- Service Center Usage Costs (Intermediate Cost Pools – MIS, HR Service Centers, etc.)
- Telephone/Telecommunications costs
- Depreciation Expenses (capital equipment purchases, computers, furniture, office equip, etc.)
- Indirect travel (not charged direct to contracts)
- Training courses
- BD/Division-specific Taxes and Licenses
- Indirect/Expense labor specific to Business Unit/Division (Secretaries, etc.)
- Office Supplies
- Postage and Handling
- Dues, Memberships and Subscriptions
- Pre-employment Costs (Advertising, Recruiting, Relocation, Agency Fees, etc.)

Step 5

Competitor Team Rate Structure (6 of 6)

Example of G&A Cost Pool Elements

- Bid and Proposal (B&P) Costs
- IR&D
- Sales and Marketing Costs
- Legal and Accounting expenses
- Corporate Communications/Public and Government Relations
- Sector/Group/Corporate Executives, Staff and related expenses
- Sector/Group/Corporate –wide insurance costs
- CAS 403 Allocations (Home Office Allocations from Parent, if applicable)

Step 6

Competitor Solution Development and Approach

Master Labor Category Deck

- Portfolio of Skills to meet the requirements

Staffing plan (Prime and Subs)

- By Task/WBS

Architecture: Hardware and Software

- By major requirement

Other Direct Costs

- Travel, etc.

Step 7

Basis of Estimates and Pricing Research (1 of 2)

Bottoms-up Approach

Time-phased staffing assumptions

- By Labor Category
- By Team Component
- By Task Area/WBS Element

ODCs, Hardware and Software (if applicable)

- Assess discounting and forward pricing
 - Example: Verifier 300 Fingerprint Scanner
 - List: \$950
 - w/Discount: \$760 (20%)
 - w/Competitor Loadings: \$798 (5%)

Additional Pricing Research

- Competitors price points on similar contracts

Step 7

Basis of Estimates and Pricing Research (2 of 2)

Document major assumptions

- Example: Site Survey Team
 - Five Teams of Two
 - Period of Performance (PoP): 6/1/2004 – 7/31/2004
 - Four Working Days, 1 Travel Day per Site
 - Conducts Surveys, Writes Reports, Addresses any Follow-up Issues/Questions
 - 10 Days On, 2 Days Off (~Two Sites in 12 Days)
 - 10-11 Sites Per Team Over the PoP

Step 8

Cost/Price Model Development

- Develop cost model consistent with RFP requirements

- Summaries by Task, Higher Levels

- Summary Pricing Metrics
 - Average Labor Rate
 - Headcount Roll-ups, etc.

- Initial Model Yields Pre-Gaming Competitor ‘Should-Cost’

Step 9

Customer Affordability Assessment

Customer's Funding Profile

- Customer-provided Profile; or
- Most Likely Funding Profile Assessment

Assess Government's Most Likely Independent Cost Estimate (ICE) and Sources of Price Points

Step 10

Quantified Evaluation Model (Initial Baseline 1 of 4)

- Distill Section M language into quantified weightings
- Price-to-Win (PTW) does not necessarily mean being lower priced than all the competitors
- Price-to-Win is the Price, when integrated with Customer's total Evaluation Model (price and non-price factors), yields the Highest Evaluated Score
 - Caution not to underestimate the role/impact of Price
- Review Customer's historical view on best value and related acquisition strategies

Step 10

Quantified Evaluation Model (Initial Baseline 2 of 4)

Criteria Analysis Example

- Based on the assessment that Competitor A will evaluate higher than the competitors on the Business Solution criteria because Customer has used their parts of their white paper in the RFP and has an exclusive with the preferred COTS software provider
- Based on the assessment that Competitor A will evaluate highest in process maturity – the only CMMI level 5 prime
- Based on a similar approach to all the criteria, and the pricing analysis, based on recommended PTW Competitor C (our client) scores the highest

Step 10

Quantified Evaluation Model (Initial Baseline 3 of 4)

Part 1: Un-weighted Scoring (1-10)

Competitor Pricing/PTW Analysis					
Evaluation Baseline		----- Unweighted / Scale = 1 to 10 -----			
Factor	Description	Available Score	Competitor A	Competitor B	Competitor C
1	Vision and Mission Understanding	290.00			
1.1	Business Solution	105.36	8.75	9.25	9.80
1.2	Technical Solution	105.36	9.25	9.00	9.50
1.3	Transition Strategy	79.28	9.25	8.75	9.25
2	Management	290.00			
2.1	Organizational Structure and Management Approach	64.96	9.50	9.00	9.25
2.2	Response to Task Order 001 Statement of Work	64.96	9.25	8.75	9.25
2.3	Past Performance	53.36	9.25	7.00	9.00
2.4	Capability Maturity	53.36	9.50	9.25	8.75
2.5	Socio-Economic Goals	53.36	9.25	8.75	9.50
3	Increment 2 Development and Implementation Strategy	230.00			
3.1	Business Solution	115.00	9.00	9.25	9.80
3.2	Technical Solution	115.00	9.50	9.25	9.50
4	Cost/Price	190.00	8.79	10.00	7.93
	CORE Requirements Price Position (\$M)		\$65.0	\$58.0	\$70.0
	Total	1000.00			

Step 10

Quantified Evaluation Model (Initial Baseline 4 of 4)

Part 2: Weighted Scoring (Section M)

Competitor Pricing/PTW Analysis		Weighted Score			
Evaluation Baseline		Weighted Score			
Factor	Description	Available Score	Competitor A	Competitor B	Competitor C
1	Vision and Mission Understanding	290.00	262.98	261.65	276.68
1.1	Business Solution	105.36	92.19	97.46	103.25
1.2	Technical Solution	105.36	97.46	94.82	100.09
1.3	Transition Strategy	79.28	73.33	69.37	73.33
2	Management	290.00	271.21	248.70	265.58
2.1	Organizational Structure and Management Approach	64.96	61.71	58.46	60.09
2.2	Response to Task Order 001 Statement of Work	64.96	60.09	56.84	60.09
2.3	Past Performance	53.36	49.36	37.35	48.02
2.4	Capability Maturity	53.36	50.69	49.36	46.69
2.5	Socio-Economic Goals	53.36	49.36	46.69	50.69
3	Increment 2 Development and Implementation Strategy	230.00	212.75	212.75	221.95
3.1	Business Solution	115.00	103.50	106.38	112.70
3.2	Technical Solution	115.00	109.25	106.38	109.25
4	Cost/Price	190.00	167.01	190.00	150.67
	Total	1000.00	913.95	913.11	914.88
	Overall Ranking		2	3	1

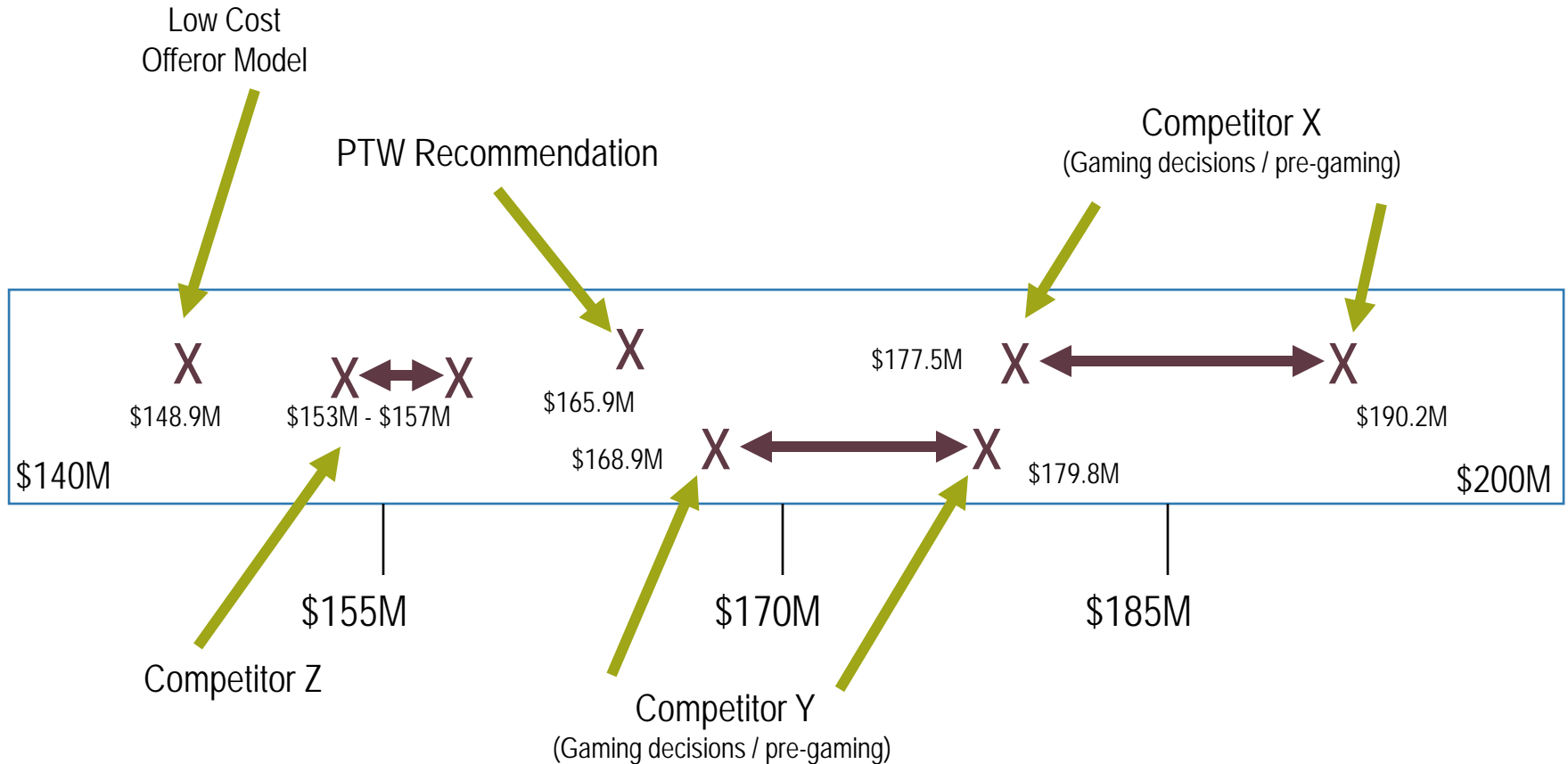
Step 11

Assessment of Potential Gaming/Impact of Competitor's Approach

- Value-Adds/Best Value
- Technically Acceptable, Lowest Price
- Degree of Pricing Risk
- Business Model
- Investments
- Accelerated Schedule
- Give-Aways
- Throw-away Categories (and Protects, Breakevens, Mainstreams)
- Competitor's view of Customer's most likely actual buying patterns vs. evaluated quantities
- Margin Reallocations
- Forward Pricing to Technology Curves

Step 12

Pricing Spectrum



Step 13

Final Evaluation Baseline and PTW

- Final Adjustments
 - Price Models
 - Evaluation Model

- Identify Price-to-Win Point

Step 14

Knowledge Management and Lessons Learned

- Capture elements of PTW analysis and major assumptions in a KM tool (pre-award)
- Document results of the bid in a KM tool (post award)
- Perform lessons learned assessment and integrate results into KM tool



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