WHAT DO MOST CUSTOMERS LOOK FOR IN YOUR PROPOSAL?
WHAT ARE SOME OF THE CONSIDERATIONS FOR ESTABLISHING PRICE?

- Read the solicitation
  - What is required
  - How will it be paid for
  - Why is it needed
  - When is the proposal due
  - Are there special requirements
  - Is it a commercial item
  - Is it developmental or non-developmental
  - Is it full and open
  - Is it new or a follow-on
WHAT ARE SOME OF THE CONSIDERATIONS FOR ESTABLISHING PRICE?

- How will the contract be awarded
  - Low Price Technically Accepted (LPTA)
  - Best Value
WHAT IS THE CONTRACT TYPE?

- **Fixed Priced**
  - Most Risk On the University
  - Less Government Surveillance
  - Suitable for acquiring commercial items, supplies/services with define functional or detailed specifications

- **Cost Reimbursement**
  - Most Risk on the Government
  - University reimbursed all reasonable, allowable, and allocable costs incurred
  - Used when technical and cost uncertainties exist
CONTRACT PRICE COMPONENTS

- **Cost**
  - Direct Cost (Direct Labor, Direct Material, and ODCs)

- **Profit**
  - Indirect Cost (Overhead and G&A)
DEFINITION OF PRICE

- **Industry**: The amount of money that a buyer pays a seller for the delivery of a product or the performance of a service.

- **Government**: Cost plus any fee or profit applicable to the contract type.
PRICE MUST BE “FAIR & REASONABLE”

- What is a “fair & reasonable” price?
  - Fair to both parties
  - Too high or too low
  - To a prudent & competent buyer
“Fair and Reasonable Price” is not defined by FAR

- Reflects fair market value or total allowable cost of performance by a well managed, responsible contractor plus reasonable profit
- Realistic in university’s ability to satisfy terms
- Price that a prudent buyer would pay considering market conditions, requirements alternatives and non-price factors
- Requires a great deal of judgement of data or resources obtained by the Contracting Officer
- FAR 31.201-3; A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of a competitive business
FOR MORE INFORMATION ON HOW TO MAKE SOUND PRICE DECISIONS AND OBTAIN INFORMATION ON THE PROPOSAL PROCESS

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