



PRICING FUNDAMENTALS TO BUILD WINNING PROPOSALS

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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



DETERMINING FAIR & REASONABLE

- “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

► Contact

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