



The Case For Price To Win (PTW)



Committed to Customer Success

Established 1975

Independent Business Development
Consulting and Training Services

The PTW and Competitive Information Source

6 West Third Street,
Frederick, MD 21701 USA
++1 (301) 840-5959

Internet: e-mail to
info@caisisco.com or
visit www.caisisco.com

Unit L, Radford Business Centre,
Billericay, Essex, CM12 0BZ UK
+44 (0) 798 930 7651

Expertise • Integrity • Commitment • Quality • Vision • Responsiveness



Agenda

- **A Word About CAI/SISCO**
- **Critical Capture Process Shortcomings**
- **PTW Primer**
 - **What is it?**
 - **Why it is needed?**
 - **Who uses it?**
 - **Why is it successful?**
 - **Where is it going?**
- **Practical PTW application – setting solution element cost targets**
- **Funding PTW**
- **Questions & Answers**
- **Presentation Adjourns**



CAI/SISCo: Background Summary

- **We are an experienced business development support services and training house**
 - We develop major opportunity **Competitive Analysis Studies**, **PTW Studies**, **Pricing Strategies** and **Reality Models** among other offerings
 - Since 1975, we have provided capture support for well over 1,250 major government consulting, C&E, IT and S&T programs with an aggregate value of more than \$1 trillion
- **Our “Corporate Memory” contains pre-positioned information on:**
 - Government departments and agencies at all levels
 - 20,000 past, present and future programs (award dates, duration, technologies, bidders, incumbents, and project descriptions)
 - Over 200 WBS-based templates for developing bases of estimates (BOE)
 - 18,000 “corporate” personalities (characteristics, incumbencies, etc.)
 - Over 150,000 individuals (past involvements, expertise, experience, resumes)
 - Rules of Thumb for estimating and pricing scores of situations, activities and services
- **We have a comprehensive PTW support environment and tool suite**
 - Processes, models, templates, estimating tools and presentation formats



Our Clients & Our Value Add

- **Our PTW clients include:**
 - Accenture, ACS, Alcatel-Lucent, Apple, Apptis, AT&T, BAE Systems, Bank of America, Boeing, Booz-Allen, CACI, CSC, CGI, Dell/Perot, Deloitte, DRS, Exponent, Fujitsu, General Dynamics, GE, GTSI, Harris, Honeywell, HP/EDS, IBM, Intergraph, ITT, L-3 Communications, Level 3, Lockheed Martin, Loral, Micron, Microsoft, NCR, Nomura, Northrop Grumman, NTT, Qwest, Raytheon, Robbins-Gioia, SAIC, Serco, Shaw Group, Sprint Nextel, Sun Microsystems, Thales, Tyco, Unisys, United Space Alliance, Vangent, Verizon, Worldcell, Wyle, Xerox, and many others
- **We provide *outside competitive insights* for client business developers charged with retaining or capturing major government opportunities**



Our Experience

- **Our PTW experience includes pursuit of new and incumbent re-compete business within:**
 - UK, EMEA, Asia and North American
 - national civilian agencies
 - military and the intelligence activities
 - large local governments
 - Major international corporations
- **Our subject matter experience covers:**
 - Base Operations, Weapon Systems, Border Security, Telecommunications, Satellite Systems, C4ISR (ISTAR), Intelligence, EW, Software Development, Systems Integration, Embedded Systems, Logistics, ERP, Law Enforcement, Managed Services, Cloud Computing, Web Portals, Tax Collection, Case Management, Utility Pricing, Seat Management, PKI, Strategic & Tactical Systems + many other activity areas

What Most Opportunity Capture Processes Leave To Chance

1. **Competitive Analysis** - develops a deep understanding of the opportunity and the competing bid and capture teams, their likely solutions and past performances
2. **Price To Win (PTW)** - develops timely and well-supported top-down and bottoms-up (detailed) competitor PTW estimates



3. **Strategic Pricing** - melds Competitive Analysis and PTW results and probabilities with a Pricing Strategy and a comprehensive cost basis, to develop winning, yet profitable, solutions and bid prices



PTW In A Nutshell (1 of 2)

- **PTW's task is to help Capture Teams:**
 - Understand not just likely competitor pricing, but what drives it
 - To think both inside and outside of the opportunity box
 - With the **solution** and **price** needed to **WIN!**
- **Since price is key, and PTW drives toward a winning price up-front, PTW is an essential capture process ingredient**
 - PTW prepares and presents to the Capture Team a view of pursuits from the competitors' points of view
 - **PTW provides competitor likely bid pricing and supporting rationale**
 - Results are developed incrementally and shared by means of 'encounters'
 - PTW deliveries are, of necessity, made well in advance of the Capture Team's ability to develop its own bid-based quantification
- **PTW success relies on:**
 - A framework and process for approaching PTW studies
 - Pre-positioned information and aggressive acquisition of other needed and potentially influential information
 - Leverage-able processes and models
 - Experienced PTW practitioners
 - Thorough and accurate analysis to produce persuasive presentations

PTW In A Nutshell (2 of 2)

- **PTW's job is to stimulate the capture team (the oyster) into producing a win (the pearl)**
 - Pricing a bid without knowing the likely win price, wastes capture funds, time and human energy
- **PTW is the *intermediate* “other hand against which to clap” the capture team’s view of the pricing issue**
 - Ignore PTW, and the customer and your competition are the only and *final* arbiters of the value of your bid price
- **Without PTW (or something like it) you have only the sound of one hand clapping**





PTW & The Problem It Solves

- **As customer budgets shrink, there is no denying that price becomes the key determinant for making competitive contract awards**
- **A price-driven marketplace demands that solutions be shaped by winning prices, not the other way around**
- **Notwithstanding, most bidders still focus their competitive efforts mostly on solution and proposal -- price is often an afterthought, or at best, a derivative of a Cost+-derived solution**

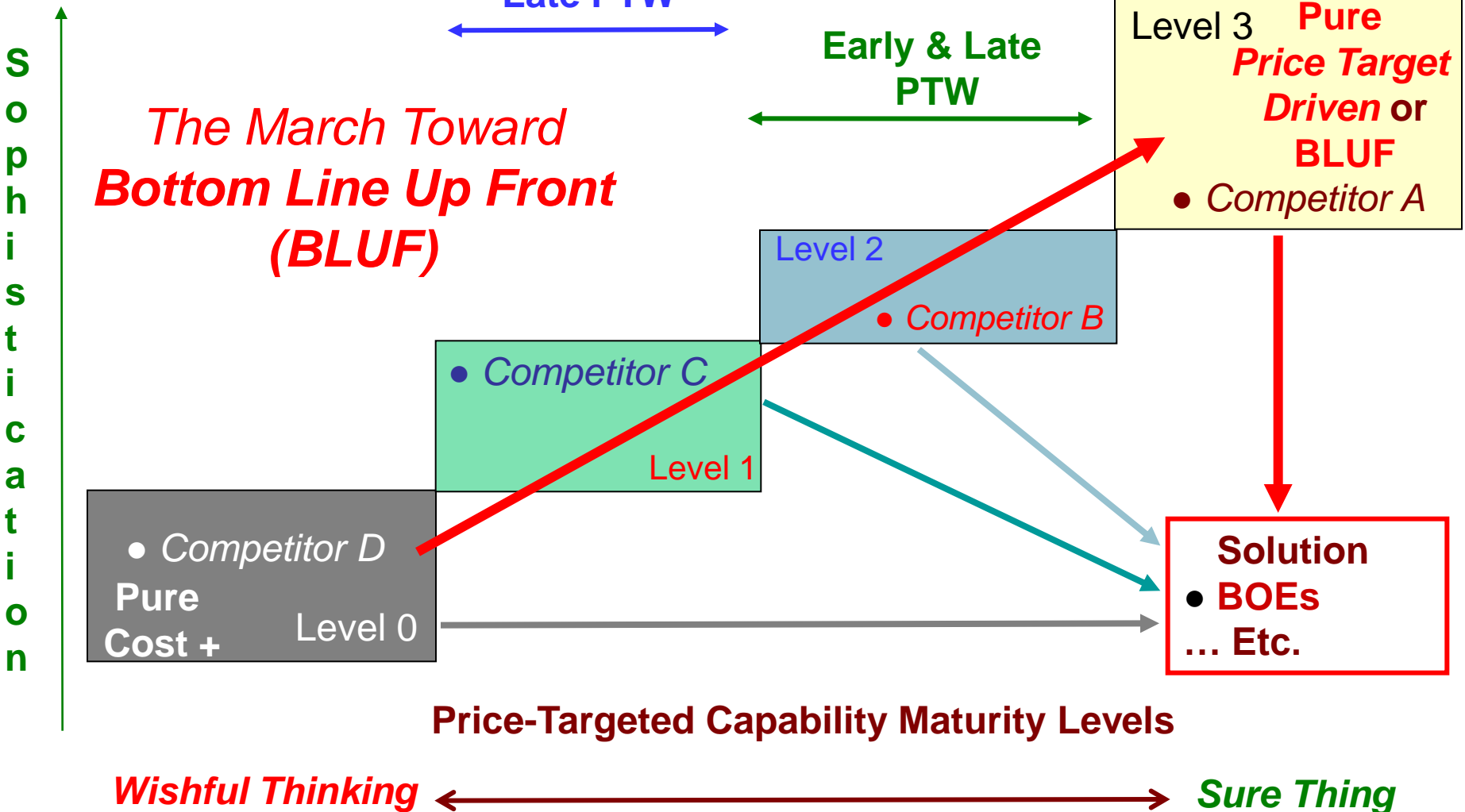


Improving Win Probability (*pWin*) with PTW

- Since the Holy Grail of business development is to **target more winnable opportunities**, book profitable wins, **improve win rates**, better manage business development investments, and **expand the business**, it is critical to appreciate that:
 - *More than 80% of all competitive awards are made to the lowest priced, acceptable (technically, management-wise, past performance-wise, etc.) bidder*
- **pWin** or “probability of a win” is a commonly used method of continually measuring the win plausibility of a job, by:
 - Using key, weighted Capture Plan elements
 - Periodically rating each Capture Plan element
 - Aggregating the resulting element scores (weight x rating)
- With price the most significant determinant underlying contract awards, major firms have begun to institutionalize or mandate PTW to improve the price-related aspects of **pWin**



Toward *Price Target-Driven Offerings*





Who Uses PTW and Why?

- **Who**: Various approaches to PTW are being successfully employed by a veritable who's who of major firms
- **Why**: PTW is needed to lead Capture Teams to develop compliant competitive solutions that can be bid at profitable, yet winning, prices
- As a way point toward Bottom Line Up Front (BLUF), many firms have adopted **Late** and/or **Early** PTW processes to dramatically improve capture **pWins**



Catch The PTW Wave

- Universally, competitive landscapes are changing; non-traditional players are shaking things up by offering better value solutions for less money, competition within the marketplace has, in a word, become brutal!
- The majority of large firms that vie for major contracts in the USA have reacted by refocusing their capture processes on price -- most now use some form of PTW as a matter of course when pursuing incumbent recompetes ...or new, 'must win,' opportunities
- More recently businesses operating in the UK, Europe and other major markets have begun to recognise the value of PTW as the cornerstone of successful capture campaigns and are integrating PTW into their capture processes



The Value Proposition: PTWers...

- Bring a wide swath of contemporary opportunity experience and the changing game -- an indispensable “success multiplier”
- Provide **unbiased**, non-political, **accurate**, timely and **detailed** comparative assessments of targeted competitors’ **teams**, solutions, **acquisition approaches** and likely pricing
 - Analysis is based on repeatable and rapidly adaptable processes
 - PTW employs experience, Subject Matter Experts (SMEs), time-tested methods and tools, activity templates, and pre-positioned information and intelligence
 - PTW reveals the hard truths about the competition and the Home Team
- Continually challenge Capture Team assumptions about competitor capabilities, costs and cost avoidance potential
 - PTW can be viewed as the running ‘Black Hat’
- Identify the **innovations**, pricing strategies and **tactics** that competitors can, and are likely to, use to:
 - Change the game/expand the opportunity
 - Manage the **customer**, contract sales performance and **bottomline risk**

PTW’s Assumption: The Competition will Bid and Price to Win; and then Manage to that Price!



The PTWer's Perspective



- **PTW deals with the snow covered peaks; Capture deals with entire mountains**
 - The average PTW analyst is often experienced with at least an order of magnitude more pursuits than the average capture person is usually exposed to



How PTW Supports Solution Development

- **Cost as An Independent Variable (CAIV)** is a process that upturns conventional *bottoms up* estimation processes by establishing cost targets *up front* for major WBS elements
- **Early PTW can help solution developers by establishing competitor CAIV-like cost targets for the major WBS elements**
- Solution developers need to be constantly focused on working to meet **and beat** cost targets both at the subsystem level and in the aggregate
- **To be most effective, cost targets should be baked into a winning, price-driven solution development process -- not just be a retrospective pruning exercise!**
- Price should never be a by-product or an afterthought of a solution development process!
- Let's look at how this process should work...



The WBS for Top Down Analysis

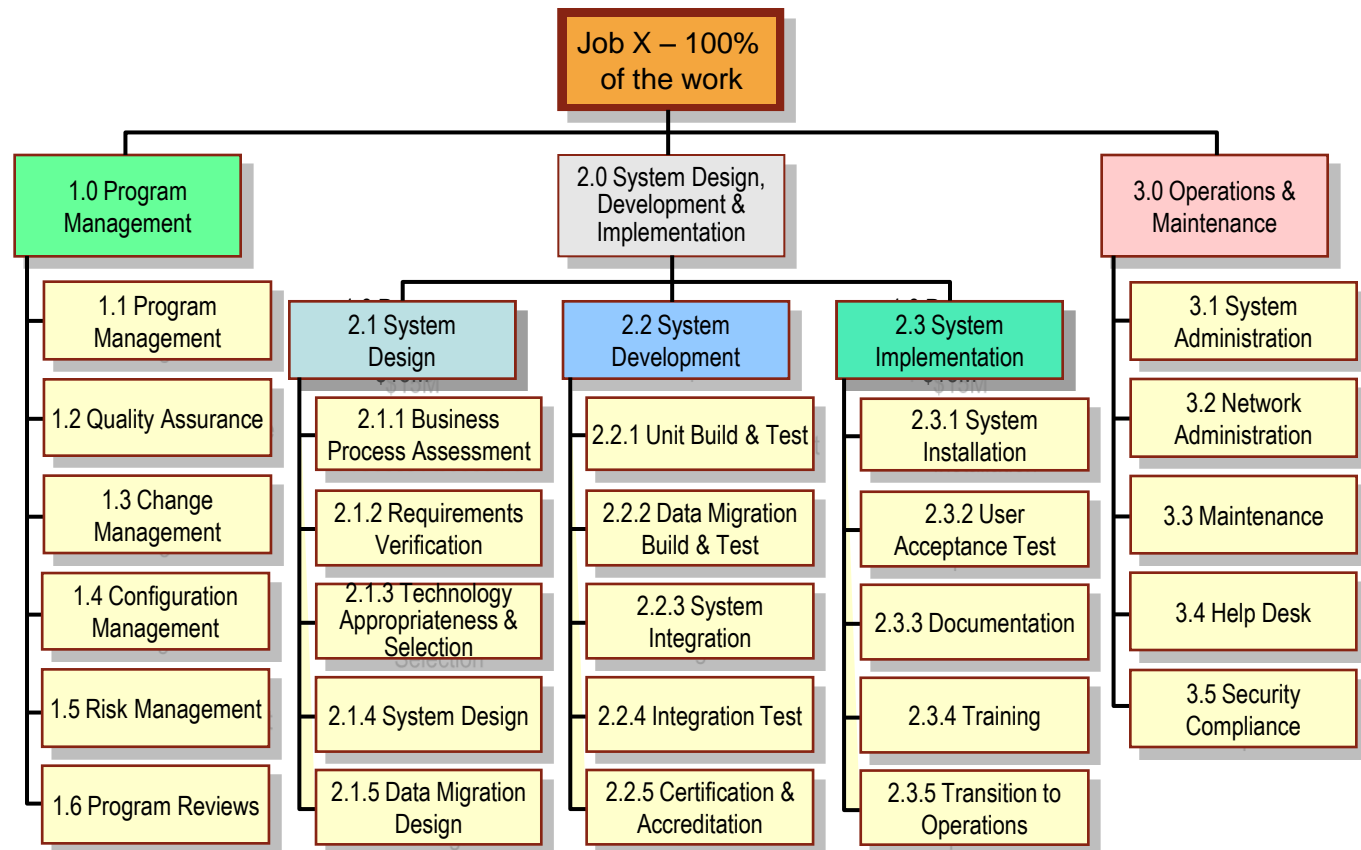
- **A Work Breakdown Structure (WBS) is an hierarchical representation of a Statement of Work (SOW), the purpose of which is to:**
 - decompose the required activities into major, often time-phased and discretely managed areas of work
 - further decompose the major work areas into tree structures comprised of work packages
- **The WBS is rarely provided -- it must be developed from the SOW**
- **The initial WBS is used in the PTW process:**
 - to develop a common basis of understanding between PTW and the Capture Team
 - as the basis for setting cost targets for major elements of the overall work

Setting CAIV-like WBS Element Cost Targets (1 of 3)

Step1: Develop the WBS

The WBS shown is a Top Down decomposition of the totality of the work that needs to be performed to accomplish *Job X*.

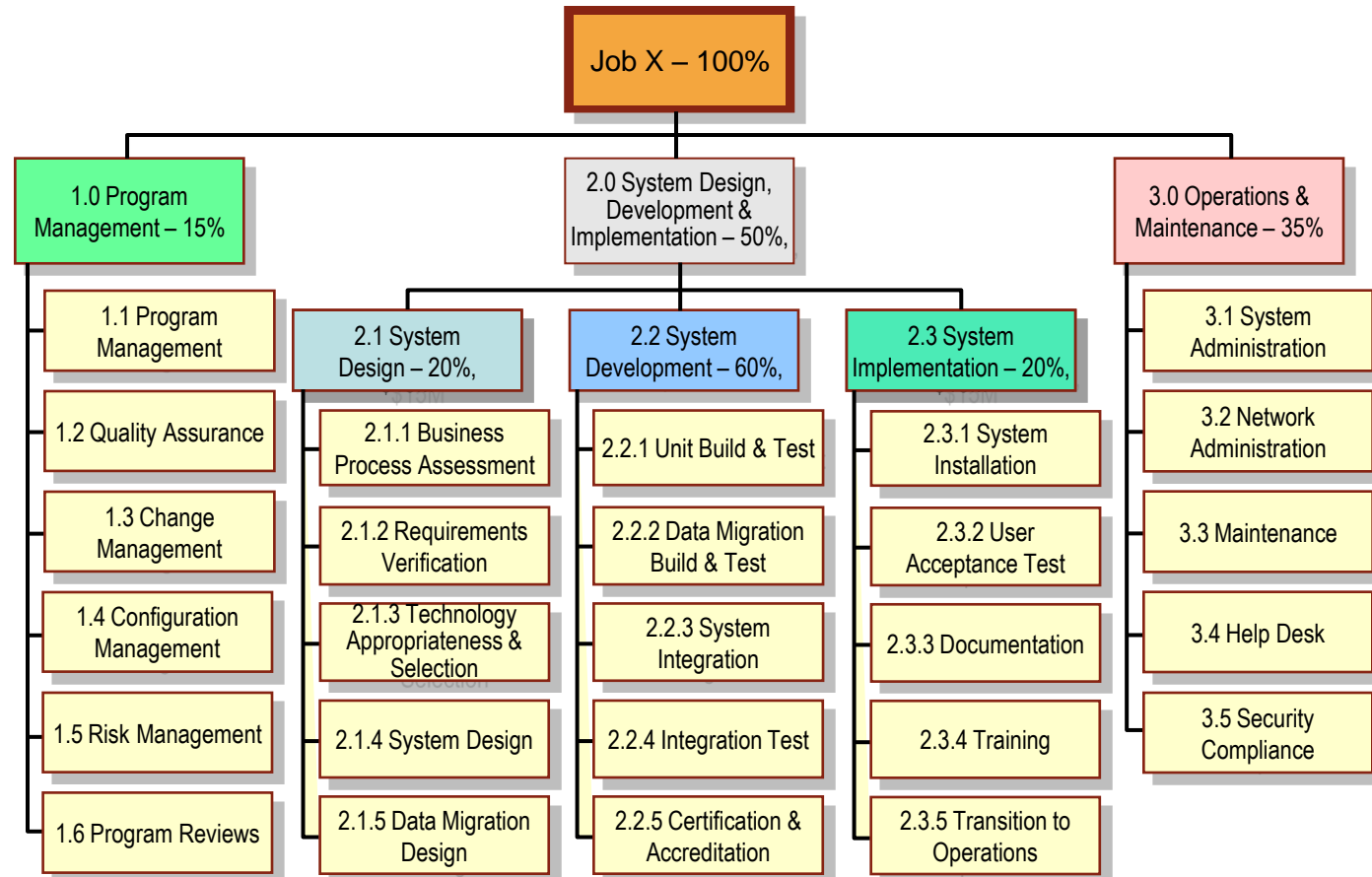
Basic Costing and Pricing, however, is typically a Bottoms Up activity.



Setting CAIV-like WBS Element Cost Targets (2 of 3)

Step 2: Generically decompose the WBS' Cost/Price

Using the *Job X* WBS we determine how hypothetical bid prices (which are unknowns at this point) should be allocated down through the WBS' hierarchy



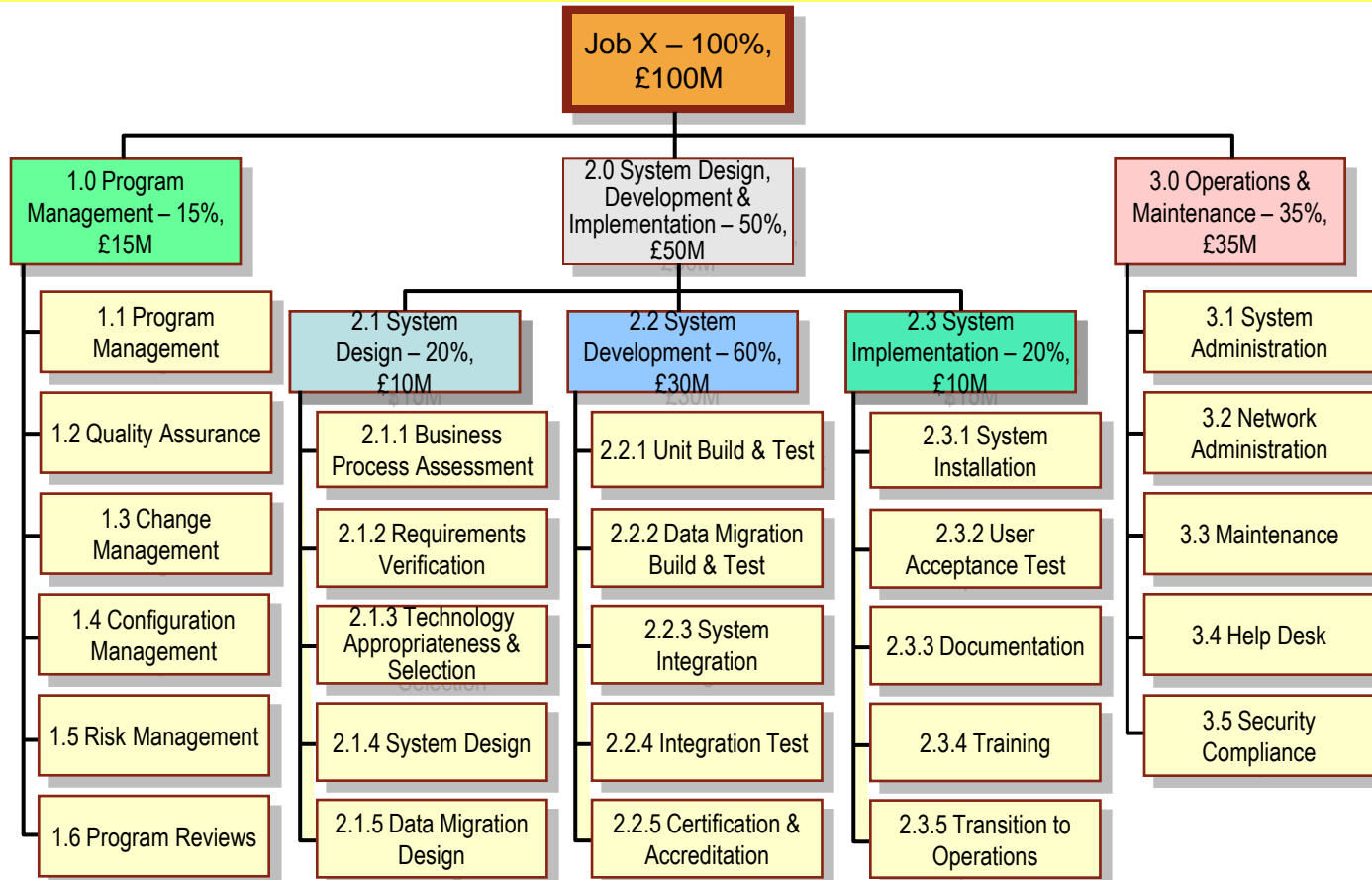
- Decomposition should also include labor and materiel
- The process can also include prime versus subcontractors

Setting CAIV-like WBS Element Cost Targets (3 of 3)

Step 3: Allocate the fiercest competitor's likely Target Price to set Cost Targets

If Job X has an overall Budget of £200M... and... 25% of that Budget (£50M) is typically needed to support the Customer's PMO... the contractor-Addressable Budget will be £150M.

If PTW analysis expects a specific Competitive Bid Team to target their bid price at 66% of contractor-Addressable Budget (i.e., £100M) then the allocation of Target Price across the WBS to set Cost Targets would look like this.





Food For Capture Management Thought

- So, when all is said and done, 80% of the time, it is a competent bidder's price that seals the deal! – hence PTW
- Part of PTW's job is to remind Capture Teams that non-price proposals rarely win bids outright (but can be responsible for outright losses)
 - Yet, most Capture Teams still overspend to prepare 'introspectively acceptable' proposals
 - Too few resources are applied to identifying and understanding the competition (**competitive analysis**) and developing a winning price (**by means of PTW**)
- So where should the money to fund PTW come from?
 - Especially given that it is unlikely that pursuit budgets will be increased
- **Stay tuned...**



(Re)Allocation of Pursuit Funds

Capture Activity	Pursuit Fund Allocation	
	As Is	To Be
Positioning/ Teaming	~20%	~20%
Competitive Analysis/PTW	Mostly 0%	10%, at least
Engineering/Solutioning	~15%	~15%
Proposal Development	~60%	~45%, or less
(Strategic) Pricing	~5%	~10%

- The way in which firms allocate pursuit funds to projects is often archaic and static
- The “As Is” pursuit fund allocations shown do not consider price’s role in determining competition’s outcome
- The “To Be” pursuit fund allocations are better aligned with the reality of how most major awards are made these days
- Capture Managers should employ a CAIV-like approach to ensure allocated funds meet a given opportunity’s specific needs



PTW – To Do or Not To Do

- If your firm believes price targeting using PTW is critical to success, these are your options:
 1. Stand up an internal PTW capability to support major pursuits
 - Requires initial and sustaining investment; not a task for novices; potential shortcomings exist...
 2. Routinely hire outside PTW firms to support major pursuits
 - Has costs; should benefit from the external & independent perspective; lacks leverage; but can raise (NIH) issues
 3. Do both 1 and 2
 - Recommended when pursuing “must win” opportunities
- If your firm is not convinced, here is your only option:
 - Continue listening to the sound of one hand clapping
- Thank you (please clap with both hands)



Contacts For More Information

Tony Constable, US President • ++1 (301) 807 8171 • tconstable@caisisco.com

Rich Brown, US Vice President, Consulting • ++1 (301) 704 1289 • rbrown@caisisco.com

David Collins, US Marketing & Training • ++1 (301) 254 3560 • dcollins@caisisco.com

Mark Constable, UK Consulting & Training • +44 (0) 798 930 7651 • mconstable@caisisco.com



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Home Office: 6 West Third Street

Frederick, MD 21701 USA

++1 (301) 840 5959

www.caisisco.com