OST GLOBAL SOLUTIONS

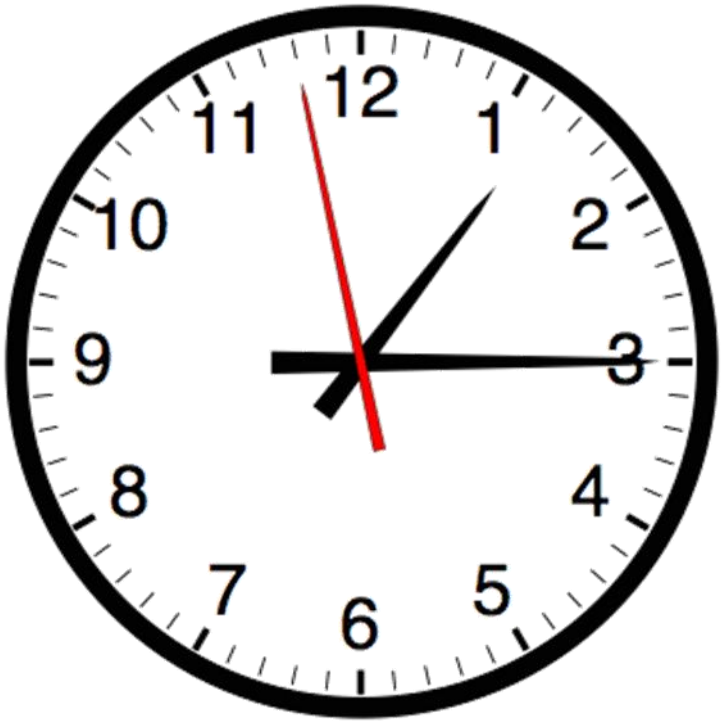
Competitive Analysis and Price to Win

Bid & Proposal Academy Course

www.ostglobalsolutions.com

Agenda

- 09:00 – 10:30 AM Training
- 10:30 – 10:45 AM Break
- 10:45 AM – 12:00 PM Training
- 12:00 – 01:00 PM Lunch Break
- 01:00 PM – 02:45 PM Training
- 02:45 PM – 03:00 PM Break
- 03:00 PM – 04:00 PM Training
- 04:00 PM – 05:00 PM Flex



Please, give yourself the benefit of focus and limit email and use of cell phones to breaks

Learning Objectives

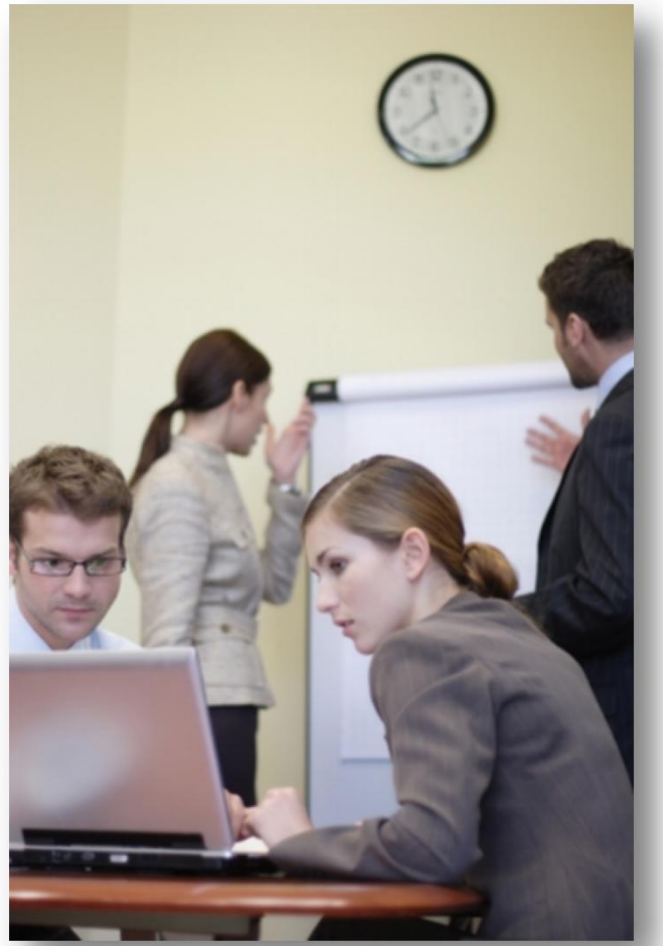
- Understanding how to lay the groundwork for competitive analysis
- Identifying three to five competitor teams and preparing for the Black Hat Analysis
- Organizing and conducting the Black Hat exercise
- Performing the competitive analysis before and during the Black Hat
- Using a variety of data sources to determine and correlate information about competitors
- Conducting SWOT analysis and postulate competitor win strategies
- Ranking competitors against the stated requirements and customer hot buttons
- Developing a competitive analysis-based win strategy
- Understanding Price to Win principles and process
- Gathering information for the PTW effort using a variety of paid and free sources
- Performing the PTW analysis
- Performing the labor rate competitive analysis, including reverse-engineering competitors' wrap rates
- Developing pricing strategy based on the Price to Win

Day 1: Black Hat

Day 2: PTW

How to Maximize the Learning Process

- How adults learn:
  - Understand WHY things work a certain way
  - Participate in exercises
  - Ask questions
  - Relate the material to your own experience
  - Take notes
- Bring up topics of interest to your job
- Move around during exercises



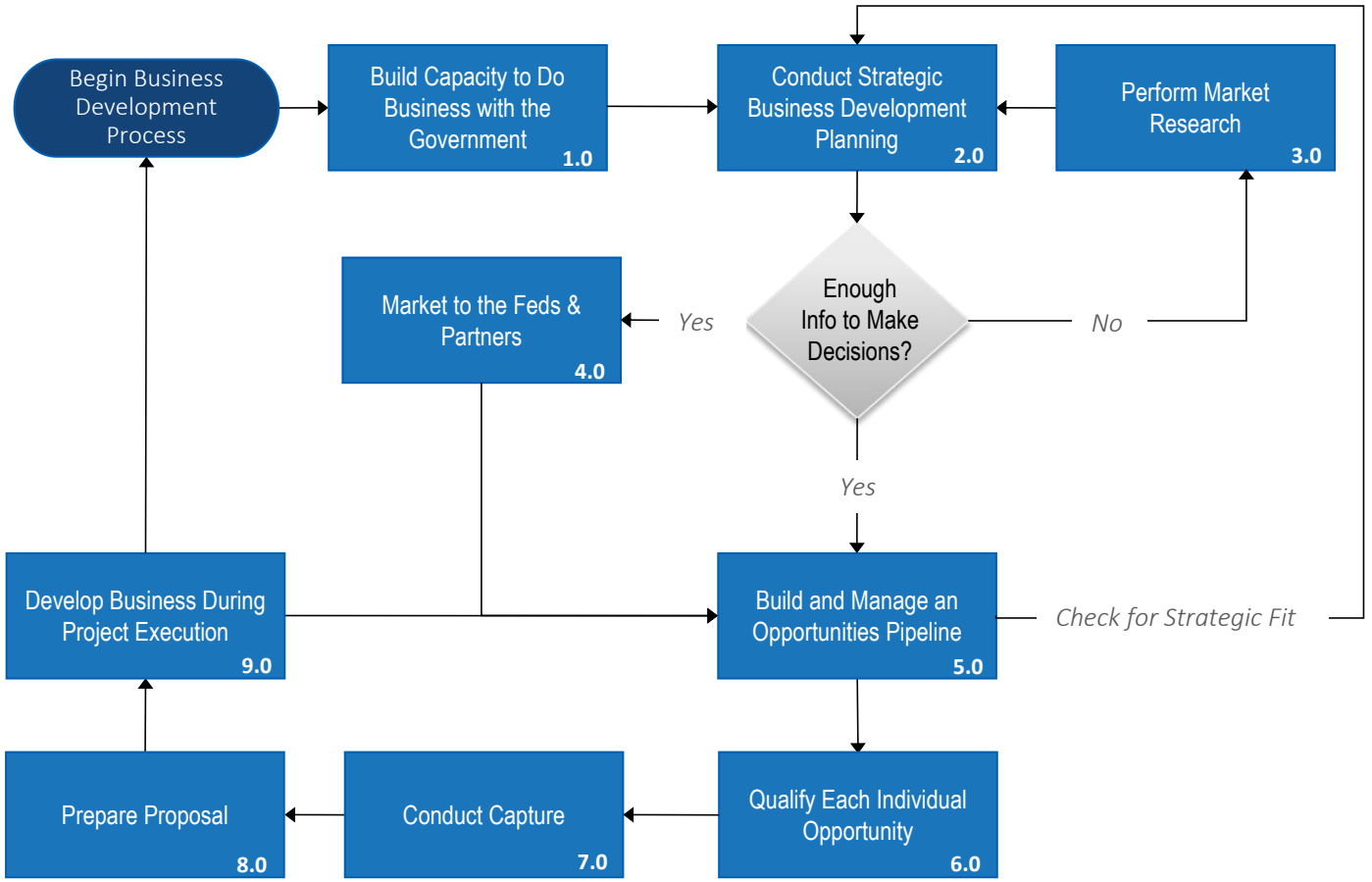
Introductions – Who is Who

- Your name and position
- An interesting fact about your life or career
- Your experience with competitive analysis and price to win
- What are you looking to get out of this training?

Module 1

Importance of Competitive Analysis in the Business Development Lifecycle

Business Development Lifecycle: The Larger Context

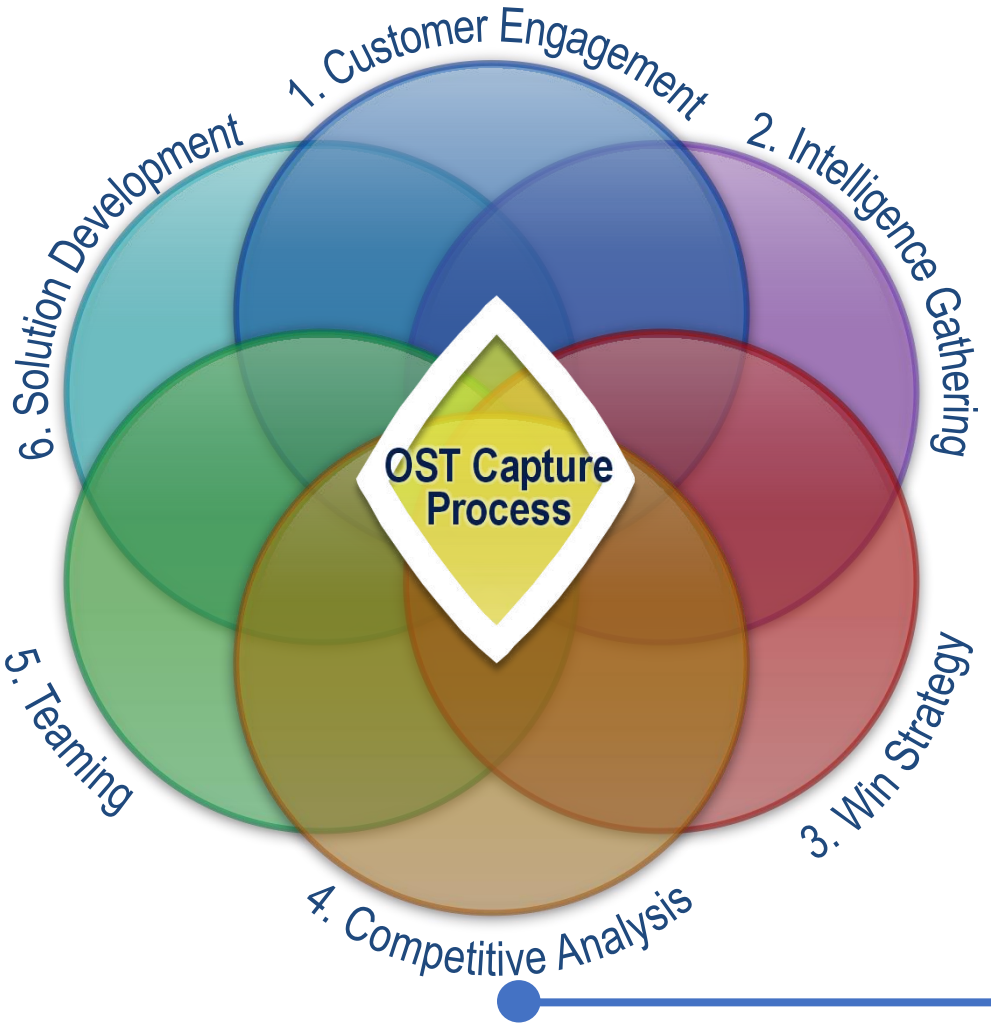


PTW Black Hat

Relationship Between Black Hat and Price to Win

OST GLOBAL SOLUTIONS

Competitive Intelligence (Non-Opportunity-specific)



Competitive Intelligence (Analysis) – Opportunity-specific

Identify Competitors

Black Hat: Gather competitive information; impersonate competitors to determine competitor's solutions and win strategies, and develop action items to counteract them

Decide whether you should bid, what teaming partners and strategy to use

PTW: Determine customer's competitive range, price competitors' solutions discovered during Black Hat, and counteract their win strategies from the pricing perspective; determine your winning price

Reasons Competitive Analysis is a Relatively Infrequent Practice

- **Starting late on pursuits:** Skipping or delaying capture and running out of time is common; consider that successful companies spend 60% of their B&P budget on capture. This is like a runner skipping crucial warmup exercises and expecting to win the race.
- **Reluctance to spend money on competitive analysis:** Hesitating to invest in competitive analysis due to cost is shortsighted. Consider what it costs your company to lose more bids than could be won with better insights. Use competitive analysis *only on those bids you want to win.*
- **Assuming there is nothing new to learn about your competition:** It's like getting complacent about relationship and being unpleasantly surprised – taking someone or something for granted often is a symptom of a problem and a recipe for heartbreak.
- **Failing to get the right tools:** Not budgeting to subscribe to competitive analysis tools is like being a hair stylist in a celebrity beauty salon with cheap, dull scissors and a weak blow drier while being expected to make $1000 per haircut by the salon's owner; use professional tools to do your job and get professional results.
- **Not seeking help from experts:** This is comparable to facing a complicated medical condition without consulting a specialist or seeking a second opinion. Engage consultants or experts when necessary to enhance your competitive analysis efforts.

Review the Case Study

What would be the most important questions you would need to answer to win this opportunity from the technical and pricing perspectives?

Module 2

Laying the Groundwork for Competitive Analysis

What Happens if There is No Competitive Analysis and PTW?

You do your best without considering your competitors – like training for a muay thai match with a punching bag only	Just swag a salary and put wrap rates on it and hope no one else competes	Accept the targets from primes and then try to manage profitability (may suffer in performance, hard to be profitable)	Solution is developed late, jeopardizing your Pwin; costing efforts wait till you solidify the solution, and you write a mediocre cost proposal at the last minute
Cannot set effective and conscious pricing strategies	Don’t document your costing assumption properly and strategically to ghost your competition through BOEs, WBS, and BOM, and to excel in audits later	Fail to write a non-boilerplate narrative in the cost volume that ghosts competition, without convincing supporting documents that prove you are right	Make mistakes in your pricing because it doesn’t go through an iterative process and multiple SME and management reviews

Competitive Analysis Elements

Strategic Competitive Intelligence (CI): analysis of the entire competitive field

- Part of market analysis
- Examples:
  - Are your rates competitive?
  - How do you benchmark against your competitors?

Tactical CI: opportunity-specific analysis

- Win/loss analysis as relevant to the target pursuit
- SWOT analysis to identify strengths, weaknesses, opportunities, and threats
- Blind spots analysis to analyze previous strategies that are likely to be reused
- Alliance analysis to determine competitors' teaming
- Strategy hypotheses (usually at a Black Hat)
- War Gaming to pressure-test your plans against competitors' responses (usually at a Black Hat)
- Price To Win Analysis: intimately connected to CI

Ethics of Competitive Intelligence

- Good capture is not corporate espionage
- Follow laws and regulations
  - **Procurement Integrity Act**
    - Prohibits release of source selection and contractor bid or proposal information (other than through FOIA)
    - Introduces “cooling off” periods for government officials, and non-soliciting of gov cons for jobs
  - **Economic Espionage Act**
    - Cannot steal trade secrets, which would result in injury to the secrets’ owner
    - Knowledge and intent are key – and what is considered a trade secret (is preserved by the company, and company derives economic value from this information not being widely known)
    - Cannot steal secrets for a foreign power
  - **National Information Infrastructure Protection Act**
    - Limits access to computers, financial records, and government systems, and makes it a crime to plant viruses, crack passwords, and use computer systems as part of extortion

Information You Should Not Get

Source Selection Information

- Bid prices
- Proposed costs or prices
- Source selection plans
- Technical, cost, and price evaluation plans and evaluations
- Competitive range determinations, rankings, and source selection reports
- Other information marked as source selection sensitive

Contractor bid and proposal information:

- Cost or pricing data as defined by 10 U.S.C. 2306a(h))
- Indirect costs and direct labor rates
- Proprietary information and other “contractor bid or proposal information” – if properly marked, submitted to a federal agency as part of bid and proposal, and not previously made publicly available

Additional “Don’ts” of CI

False Pretenses	Obtain information under false pretenses (intent is key)
Fake Interviews	Conduct fake job interviews just to pump candidates for data
Proprietary Data	Ask new employees or consultants to furnish proprietary information and documents from former employers or clients
Government Info	Use proprietary information from government customers
Competitor Info	Get proprietary competitors’ information from teaming partners
Illegal Activities	Do anything else that’s illegal

Develop a Knowledge Base for CI Information

1

Capture your analysis results and relevant source data

2

Collect all your debriefs and lessons learned in the database

3

Focus on your competitors' strategies, not rates (as rates change)

4

Always document your sources (you don't want sensitive information you have collected to be subpoenaed and with no cited sources look like results of espionage)

Other Competitive Analysis Tips

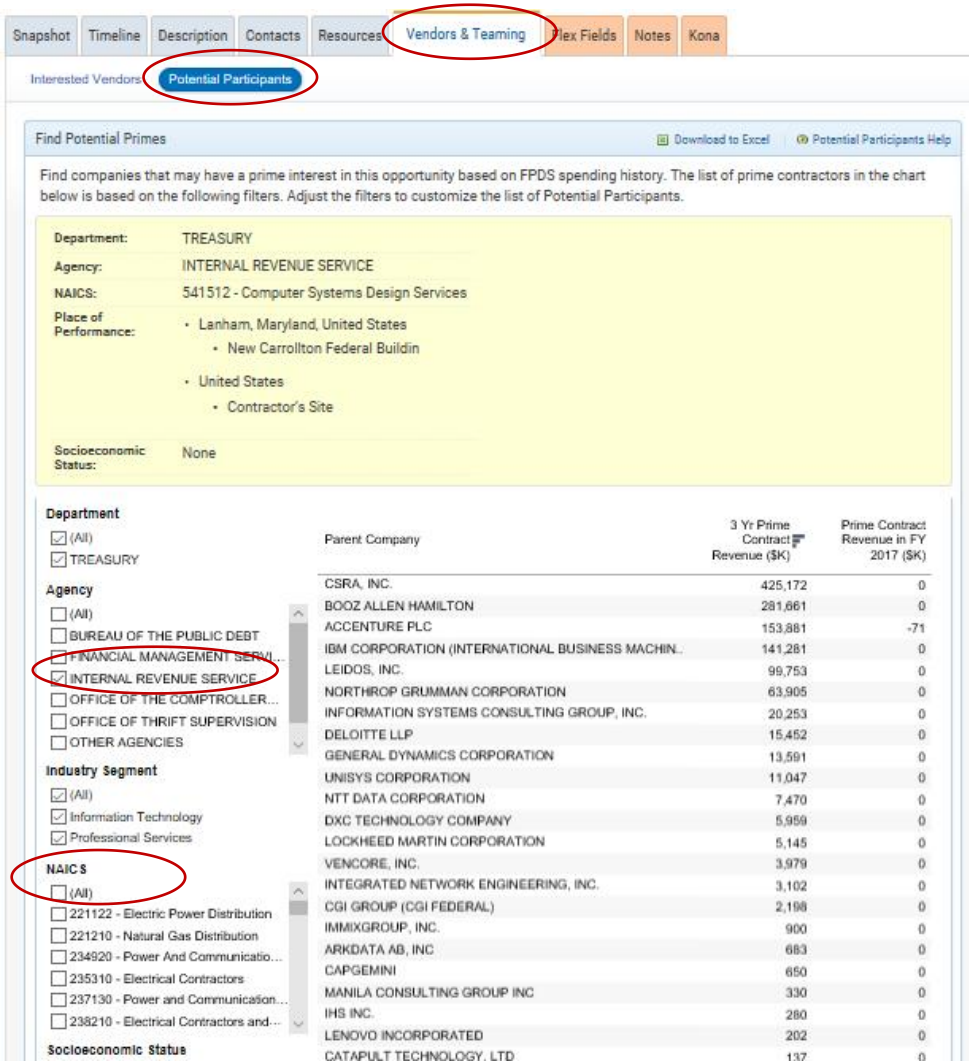
Start Early	Start early, after the Win Themes/Win Strategy Session
Document	Document your findings in the CI Knowledge Base
Continue Analysis	Continue collecting competitive information throughout the capture process, refining the results of your Black Hat and PTW
Recognize Changes	Recognize when changes impact your win strategy
Accept Limited Data	Don’t be discouraged by incomplete or imperfect information; quantity transforms into quality over time

Module 3

Identifying the List of Competitors and Preparing for the Black Hat

Identify the List of Competitors

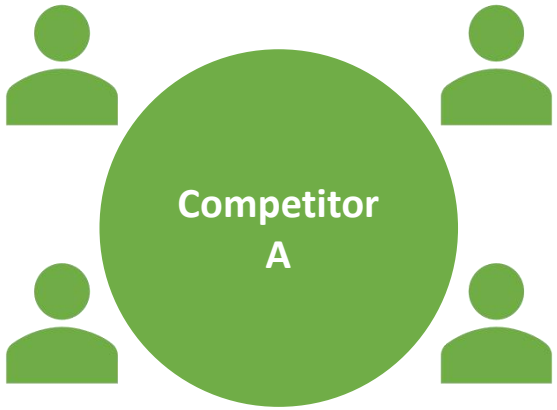
- Use the GovWin IQ Vendors & Teaming tool in the opportunity to discover Potential Participants:
  - Set the same agency, then also similar agencies
  - Pick a NAICS, socioeconomic status, and other parameters
  - Pay attention to those with 3 Yr Prime and Last Year Prime Contract revenue at the agency
- Consult the Agency tools in GovWin IQ
- Use GovWin IQ Advanced Research (included with most subscriptions)
- Industry day information and historical interested vendors data
- Use AI to research competitors
- Use USAspending.gov NAICS and PSC combination

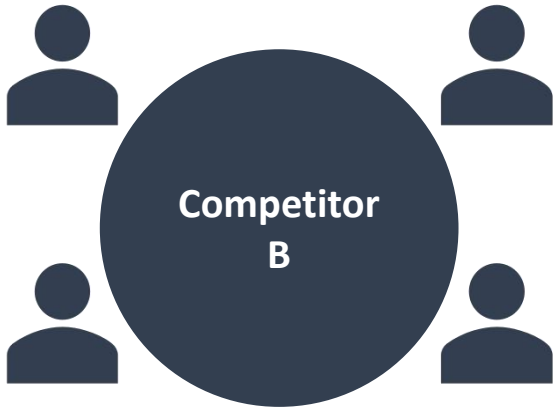


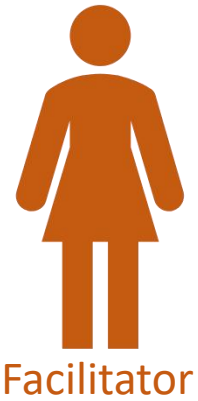
Discovering Teaming Partners is Harder

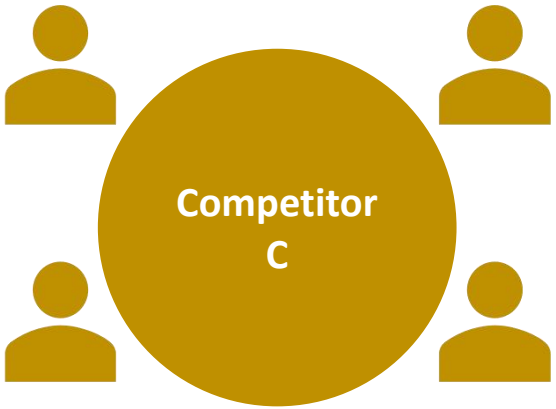
- Use rumors and information from government and yours and teammates' project personnel at the agency
- Use BGov to understand company **prime and subcontractor relationships** – companies often team with the same partners
- Google press releases and IDIQ pages
- Look up other successful companies in adjacent NAICS codes at the agency
- Call around in search of a teaming partner and ask a question if the company is already teaming with someone
- Correlate your findings

A Typical Black Hat Set Up









Prepare for the Black Hat in Advance

- Preparing the slides typically takes 3-4 weeks
- Identify Black Hat participants in advance: those knowledgeable about the competition and the pursuit (not just warm bodies)
- Send the slides to the participants 1 week in advance to analyze and add to; collect and consolidate (and reissue) inputs the day before the Black Hat
- Send an email explaining what's expected in a Black Hat: impersonating your competition, developing a winning approach – and then adjusting your win strategy based on the findings
- Use the slides below for the slide deck structure

Sample Black Hat Agenda

Reviewers are split into groups assigned to a specific competitor.

10:00 Kick off the exercise; go through slides structure and competitor intel.

11:00 – 1:00 Teams discuss and refine the slides and develop win strategies as if they were the competitors. Add to the strategy of the competitor represented, perform a SWOT analysis, and fill the matrix with evaluation criteria and top hot buttons.

12:00 – 12:30 Working lunch

1:00 – 1:20 Break

1:20 – 2:00 Team leaders debrief all the participants of their findings per competitor.

2:00 – 5:00 Based on the findings, the entire Black Hat group develops solutions and action items that would impact home team's win strategy and answer the posed questions. Assign action items based on the Black Hat results.

If this is not enough time for the final part of our strategy adjustments and action items, use another session via a GoToMeeting or an in-person get-together to adjust home team's strategy and solution.

Black Hat Groups Organization

1

Competitor 1/Teaming Partners

- Name
- Name
- Name
- Name

2

Competitor 2/Teaming Partners

- Name
- Name
- Name
- Name

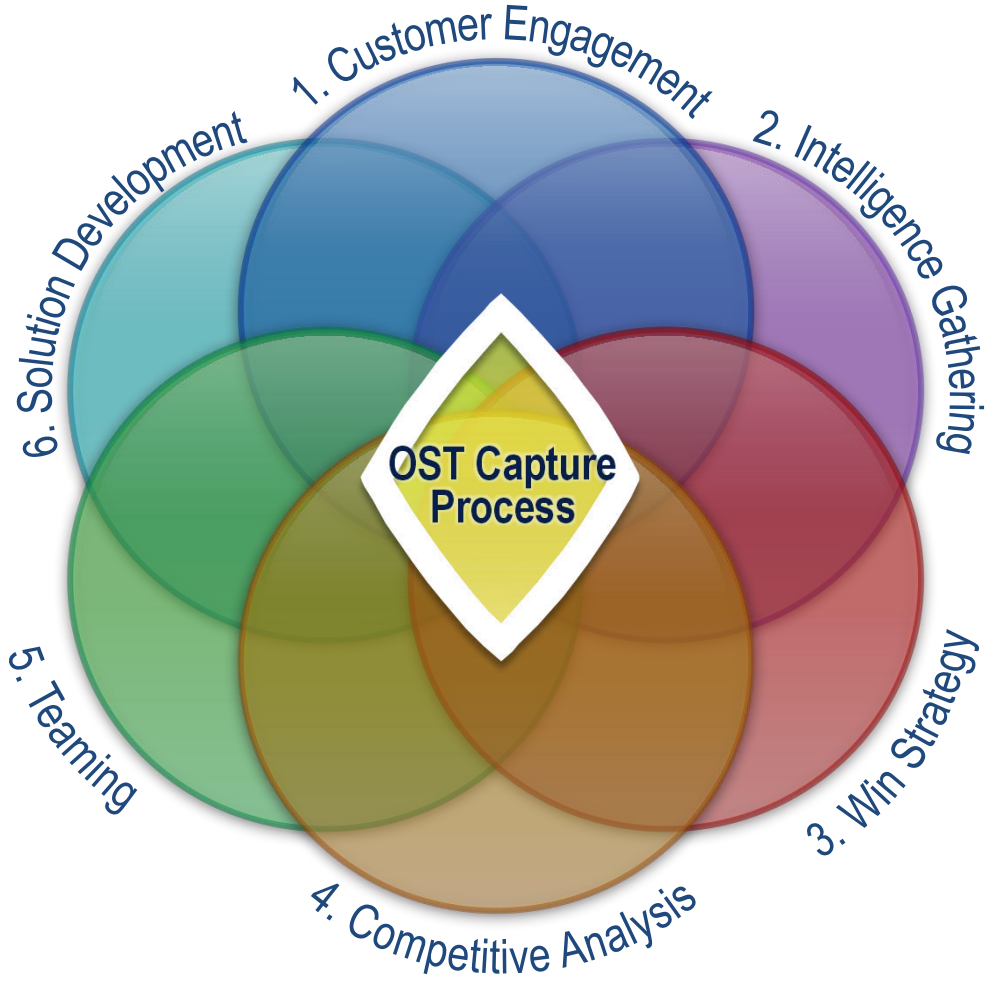
3

Competitor 3/Teaming Partners

- Name
- Name
- Name
- Name

Customer's Hot Buttons

- Customer's hopes, fears, and biases
- Main focus during the *Customer Engagement* portion of Capture
- Collected directly from customer and other research
- Specific, deep-reaching, down to the emotional needs
- May apply to the program in general or span the entire scope of work
- Must be captured verbatim, as close to the source as possible



Potential Source Selection Board Members

Customer Name, Title, Org	Possible Role in Selection	Profile (Be Tactful!)	Attitude towards us: Positive, Negative, Neutral	Top three hot buttons
Glenn Smith (GS-15, COR) USSOCOM	PCO	No-nonsense; knows both the program and the acquisition sides; creative Example	Neutral	Efficiencies, no saying “no”, constant improvement

Competitive Analysis Overview

Tasks 5-8 are conducted at the Black Hat Session

8. Assess our own standing versus competition and develop our strategy, story, and action items

7. Determine competitors' win strategy

6. Perform competitors' gap analysis to neutralize weaknesses and play up the strengths

5. Determine competitors' strengths and weaknesses

4. Research and Develop Competitors' Profiles

3. Define and Prioritize Customer's Hot Buttons

2. Develop Customer Profile

1. Review the Draft RFP for Written and Unwritten Customer Requirements

Viable Competitor Profiles

Serious Competitors:	Strengths	Weaknesses
Competitor 1 / Teammates		
Competitor 2 / Teammates		
Competitor 3 / Teammates		

Exercise 1: Determine a Competitor List for the Case Study

- Break into groups
- Read the “Home Team” profile
- Go through the steps to identify competitors
- Fill out the viable competitor profiles: strengths and weaknesses represent the initial “gut feeling” and findings
- Debrief and explain your selections

Desired Outcome: Learn how to use tools to identify competitors

Module 4

Performing the Competitive Analysis

Competitor 1/Teammates [replace with the specific names]

Minimum Competitive Analysis Checklists

GENERAL QUESTIONS 1

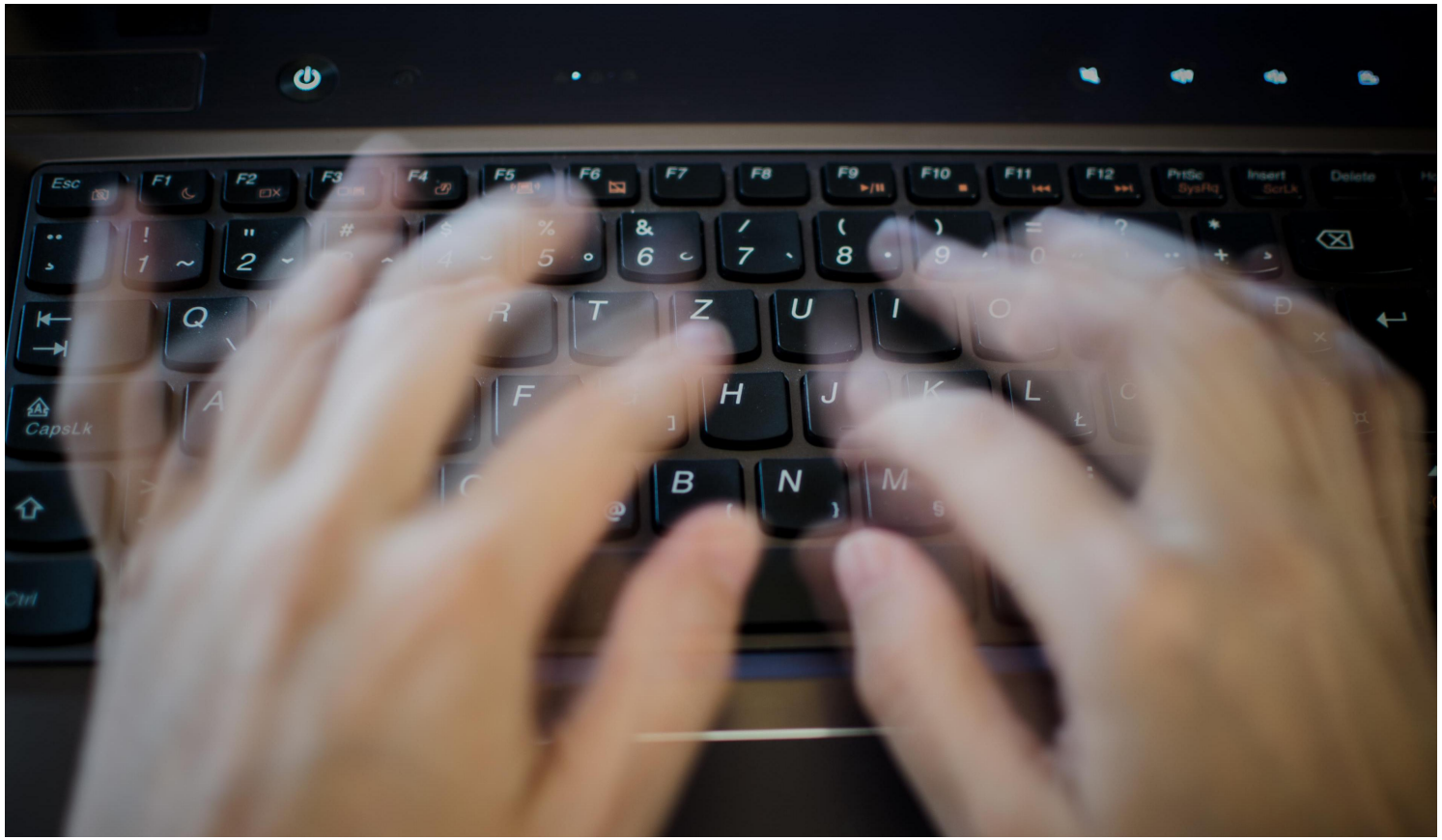
- Who else is chasing this?
- Why is the customer recompeting?
- What is the expected budget?
- Who are this customer's most favored contractors?
- What did we learn if we competed the last time?
- What do our potential subs know?
- What do our employees know?
- Are there any industry, policy, or political shifts that favor you or competitors?
- What is our call plan and messages?

INCUMBENT (DEFENDS) 2

- What is our current performance?
- How will the competition drive the price and tech evaluation?
- How do we introduce competitive solutions early?
- Which part of the Customer solution must we protect from changing?
- How do we protect information?
- How can we best influence the RFP?
- What are the risks of changing contractors?
- How do we defend our workforce from being poached?

NEWCOMER (ATTACKS) 3

- Who is the incumbent?
- How is their performance?
- What can we change in how the incumbent does their work?
- Where can we level the playing field?
- What employees can we talk to and/or (contingent) hire away?
- What unique solution options are available?
- Has this offering become commoditized and can be standardized, automated, productized, or done with more junior staff?



Exercise 2 Setup: Competitive Analysis Simulation

- Break into groups
- Throughout this module, perform analysis steps as they are covered by the class material, for an assigned firm
- Instructor will provide the cue when to practice each step of the analysis
- **Desired Outcome:** Know where to find the specific information required by the slides

Competitor 1: Prime [Company Name]

- Use GovWin IQ Teaming -> Company Profiles
- Year founded, EIN, CAGE
- Business size, socioeconomic status, 8(a) graduation date if applicable
- Primary NAICS with description
- Facility Clearance; cleared staff
- HQ and other locations
- Website address
- Any other interesting and relevant information for this pursuit – e.g. aircraft available, radars, etc.
- Prime contract obligations in the past 5 years (relevant past performance projects): Use BGov, USAspending.gov or FPDS.gov
- Any known subcontractor projects from website and Googled press releases and articles

Use GovWin IQ Advanced Research to request competitor information and save yourself time with some of these items

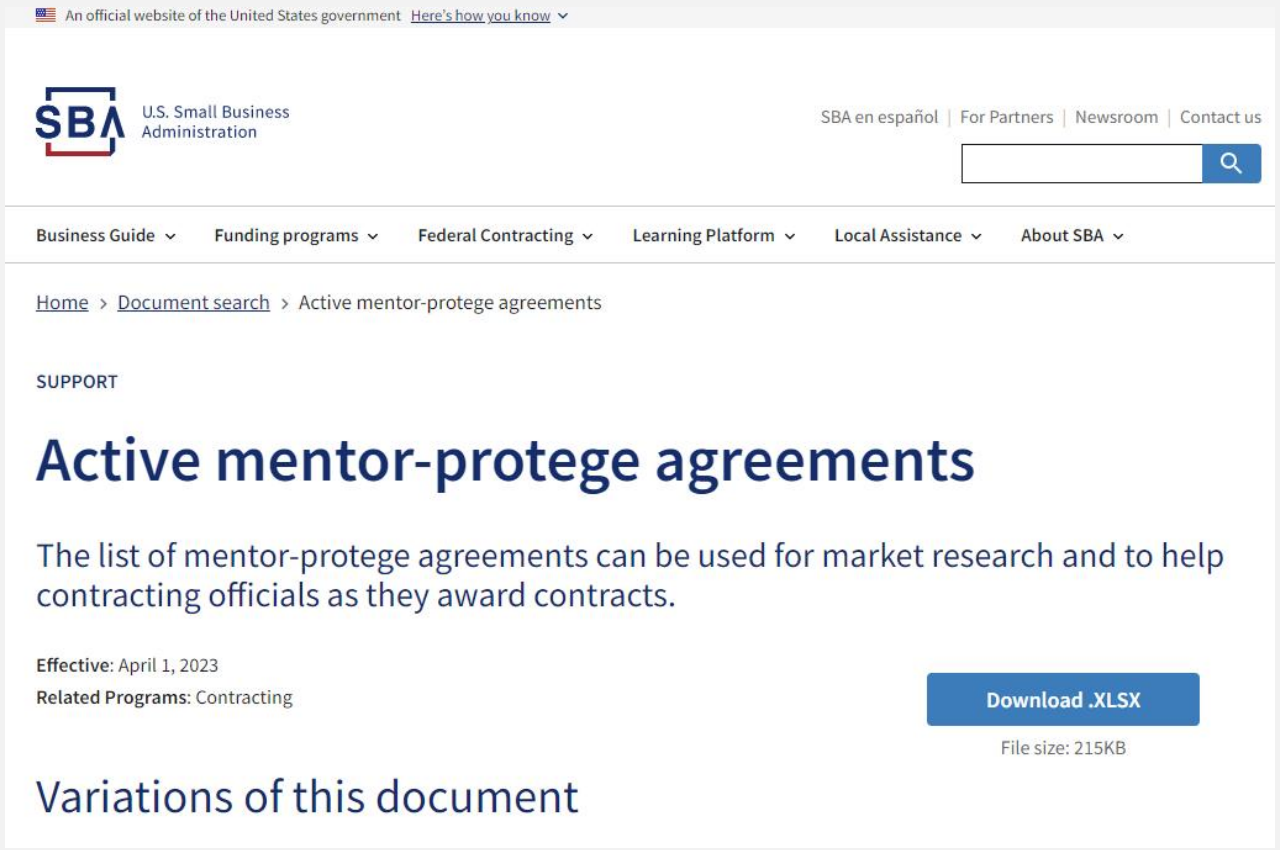
Prime Contracts Awarded to Competitor 1 Prime

Contract Number	Task / Delivery Order	Vendor Name	Transition Signed Date	Transaction Value

*Summarize past experience information from: Deeper research into interesting prime and subcontractor projects – look up and add summaries from old RFPs and Statement of Work/Contracts from GovWin IQ or GovTribe
*Look up any SBA-approved joint ventures and their past performance to check if there is hidden performance
*Add slides for scope detail if you are able to find more detailed information on opportunities

Look for Joint Ventures:

Don’t miss “hidden” Competitor Past Performance

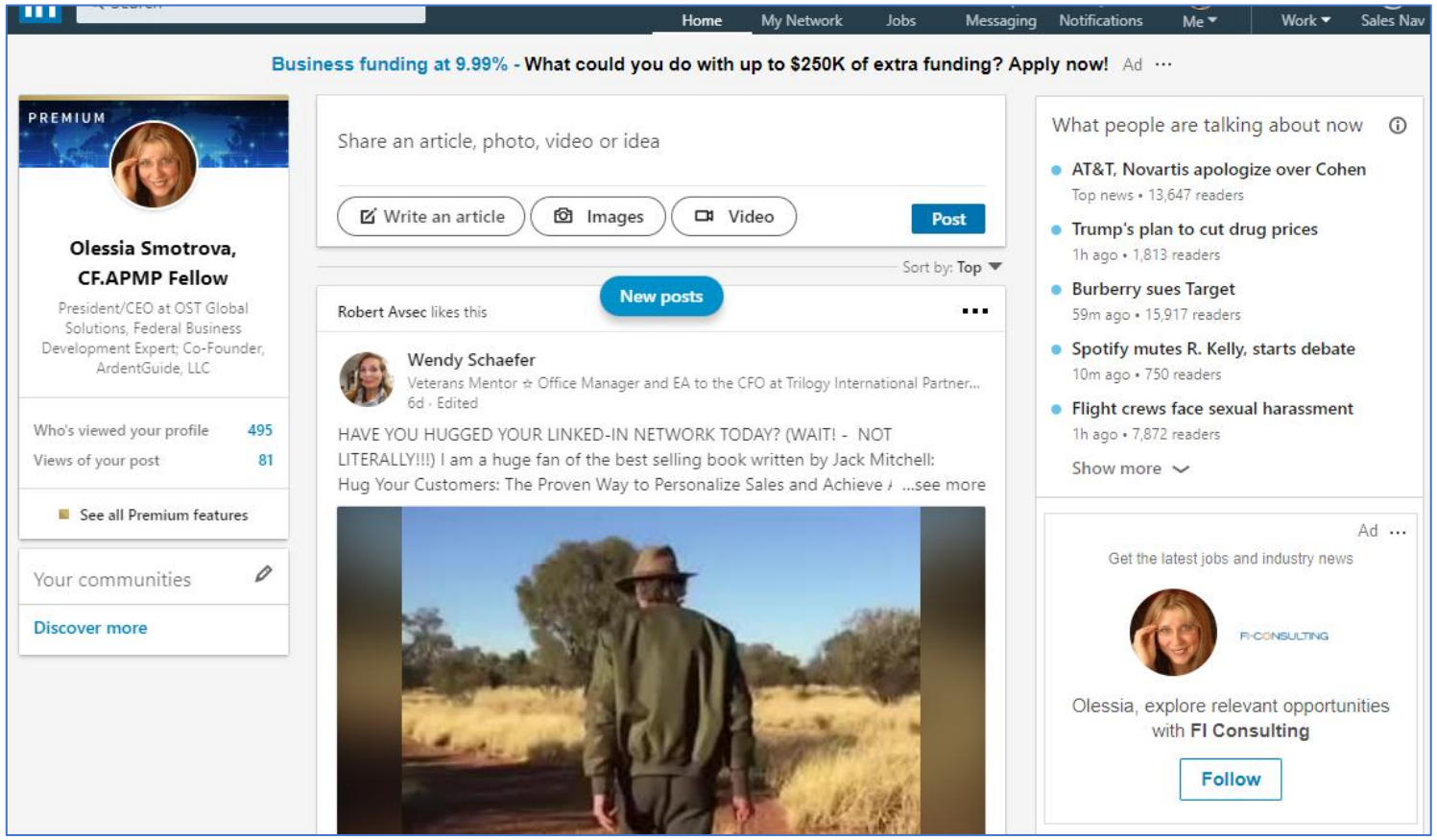


JVs have their own CAGE Code and Sam.gov registration

SBA no longer approves joint venture agreements formed to pursue competitive 8(a) contracts. This includes joint venture agreements formed under the SBA MPP to perform a competitive 8(a) contract. SBA will continue to review and approve all joint venture agreements formed to pursue sole source 8(a) contracts.

A mentor and its protégé can joint venture as a small business for any small business contract, provided the protégé individually qualifies as small. The joint venture may also pursue any type of set-aside contract for which the protégé qualifies, including contracts set aside for 8(a), service-disabled veteran-owned, woman-owned, and HUBZone businesses.

SBA Lists Active Mentor-Protégé Agreements: Active mentor-protege agreements | U.S. Small Business Administration (sba.gov)



Identify Competitor's Leadership

- Use competitor's website and LinkedIn to find leadership's and key personnel bios
- Check for experience and connections that could be relevant to the pursuit
- Identify possible key personnel
- Check LinkedIn for connections with the customer

Other Information Examples

Company's products, patents, and innovations relevant to this project

Customer's feedback on company's performance and other likes/dislikes

User's experience with company's services (does the customer know about negative experiences?)

Company's credit/financial history from D&B (Hoovers) and EDGAR

Attrition (from LinkedIn, website, job boards: multiple vacancies related to the program)

Recent mergers and acquisitions

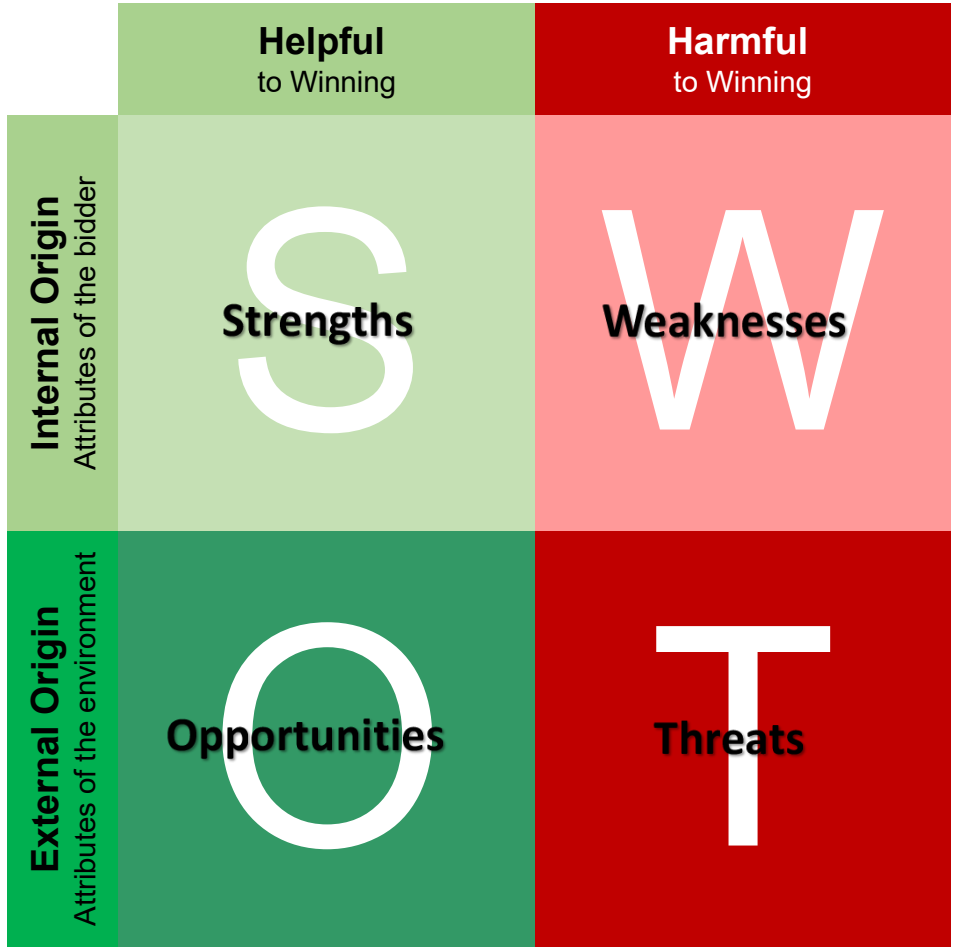
Potential PM candidate and other key personnel

Potential approaches and solutions

Other areas covered in our Foundations and Advanced Capture Management courses

SWOT Analysis Overview

- **S**trengths: characteristics of the bidder that give it an advantage over others
- **W**eaknesses (or Limitations): characteristics that place the bidder at a disadvantage relative to others
- **O**pportunities: *external* chances to improve win probability in the environment
- **T**hreats: *external* elements in the environment that could cause trouble for the pursuit and the likelihood of winning



Competitor 1 Team SWOT

- **Strengths**
  - Examples: Incumbent, implicitly understand this contract and work, past performance, customer environment savvy
- **Weaknesses**
  - Examples: Continuous overruns; Prime has a reputation as a long-lead decision-making company
- **Opportunities (for them, from their perspective)**
  - Example: Recent HQ move established executive presence on the ground at XXX to reduce the executive long-lead chain
- **Threats (to them, from their perspective)**
  - Examples: Their list of personnel is not exclusive and is leaked around; government is beginning to question the lack of transparency

Competitor 1 Team Postulated Win Strategies

- **How Will They Maximize Their Strengths?**
  - Examples:
    - No risk, low-cost transition
    - No change to management
    - Exploit fear of change due to the created dependency of customer on the incumbent
- **How Will They Minimize Their Weaknesses?**
  - Examples:
    - Illustrate a new approach for how not to break budget ceiling; learned the lessons
    - Move the HQ to make quicker decisions for customer's resources allocation and say yes more
- **How Will they Neutralize Our Team's Strengths?**
  - Example:
    - Will ghost our team as an entity not known to the customer ("we know the customer and the work unlike anyone else")
- **How will they Emphasize Our Team's Weaknesses?**
  - Example:
    - Tell the customer about our loss of superstar PM and a core team member that we had previously heavily marketed to the customer
- **What Kind of "Innovative Deal" Might They Propose?**
  - Example:
    - New types of reporting and monitoring to keep costs down

Competitor 1 Team Ranking

Potential Customer Evaluation Criteria	Ranking (+, 0, -)	Rationale
Written Requirements		
Factor 1: Mission Capability (Support continuity)	+	
Staffing plan	+	Already have personnel in place
Asset mgmt	+	Have established chain
Logistics Support	+	Have enough airplanes to stage in HI
Information Assurance for Maintaining support		
Factor 2: Past Performance	+	Were there anymore mishaps? Do they have a high sortie completion rate? Is the customer happy with their performance?
Factor 3: SB Participation Plan		
Factor 4: Price		
Unwritten Requirements		
Minimizing risk of interruption	-	
Flight safety	-	

Competitor 2/Teaming Partners
Use the same slide succession as before for Competitor 2 Team and so on (no more than 5)

Module 5

Developing a Competitive Analysis-Based Win Strategy

- Prime/Teaming partners

The “Home” Team

Home Team Profile

1

Profile the company and the team similarly to the competitors to be able to compare and contrast objectively

2

Include the same level of information as the competitors to avoid looking more pertinent because of all that's known to us

3

Profile every teaming partner, including their past performance

4

Perform an honest SWOT analysis

5

Perform the win strategies analysis and complete the ranking table similar to the competitor analysis

Aggregate View

Exercise 3: Rank Competitors and Develop a Home Team Win Strategy

- Review the Home Team's profile again
- In an instructor-led group discussion, develop:
  - Competitors' aggregate rankings against the home team
  - Home Team's win strategy
  - Resulting strategic action items
- **Desired Outcome:** Understand the nuances of ranking competitors, and translating your findings into win strategy

Home Team's and Competitors' Aggregate Ranking Against Evaluation Criteria

Customer Evaluation Criteria	**Air Wings**			
Written Requirements				
Factor 1: Mission Capability				
Factor 2: Past Performance				
Factor 3: Small Business Participation Plan				
Factor 4: Price				
Unwritten Requirements				
Low risk of interrupting training exercises				
Flight safety				
Total Score:	+	0	+	-

Resulting Strategies and Actions

Our Resulting Win Strategies Based on the Black Hat

- **How Will We Maximize Our Strengths?**
  - Examples:
    - Provide capabilities of the team slick to the customer to show our cost control capabilities through metrics
    - Incumbent's execution problems; customer is aggravated about busting of the ceiling twice – look into ghosting language in the proposal
- **How Will We Minimize Our Weaknesses?**
  - Examples:
    - Capture superstar incumbent personnel and teaming partners through a targeted recruiting campaign
- **How Will We Neutralize Each Competitor's Strengths?**
  - Examples:
    - There is no pricing for transition that's priced separately
    - Ghost no change to management
- **How Will We Emphasize Each Competitor's Weaknesses?**
  - Examples:
    - Ghost possibility of overruns on the program if business as usual

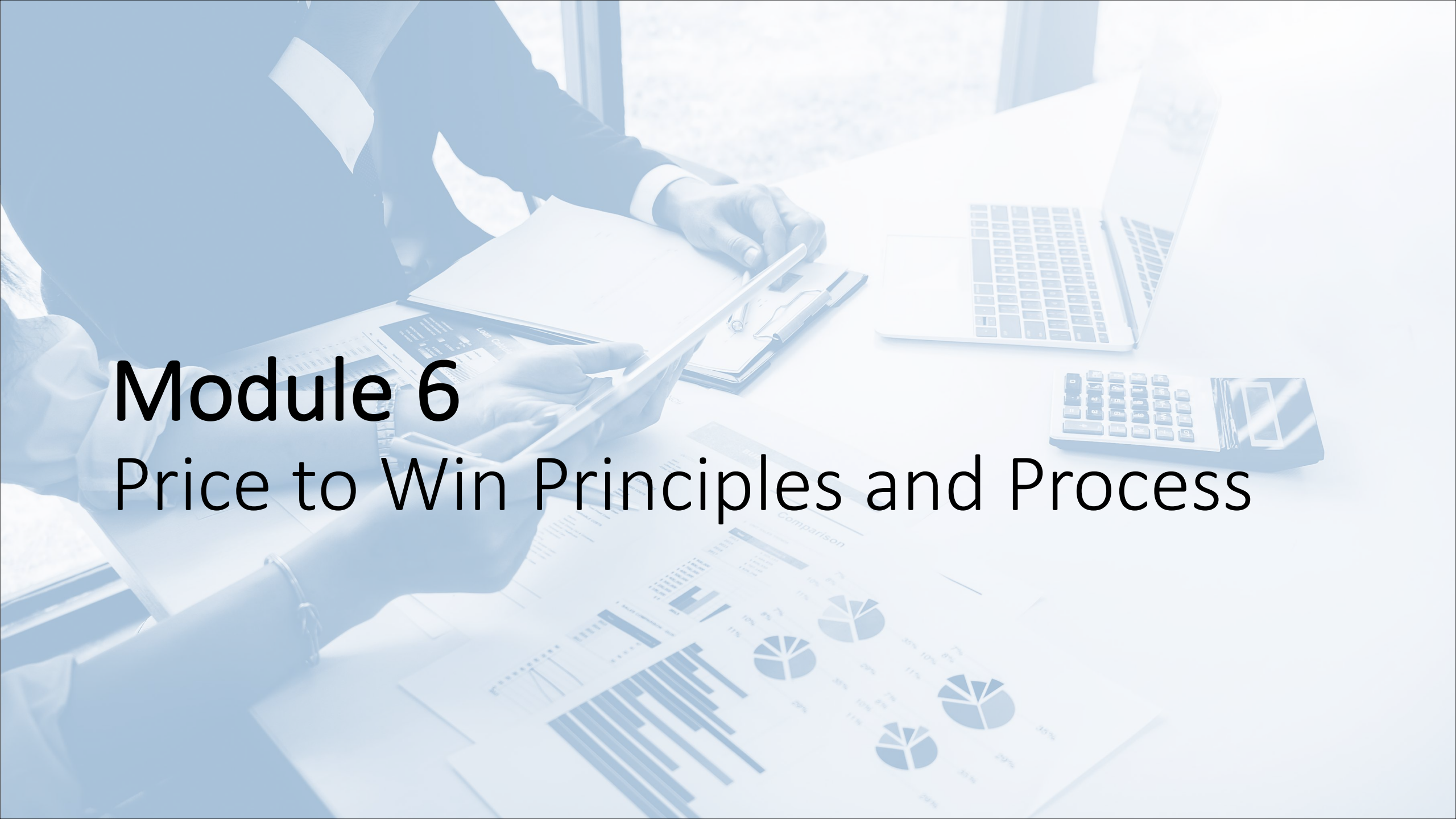
Resulting Action Items

Action	Priority	Responsible	Due Date
Develop capabilities of the team slick to the customer	1	John Doe will provide the first draft	7/1
Schedule Price to Win exercise	2	Jane will line up the resources	7/7

Day 1 Recap

- What materials need to be prepared ahead of the Black Hat session?
- What is a typical Black Hat session set up, and how would you modify it for a small business development team?
- What techniques would you use to determine competitors' primes and teams?
- What is your biggest take-away from today's material?

Price to Win



Module 6

Price to Win Principles and Process

Why Price to Win?

OST GLOBAL SOLUTIONS

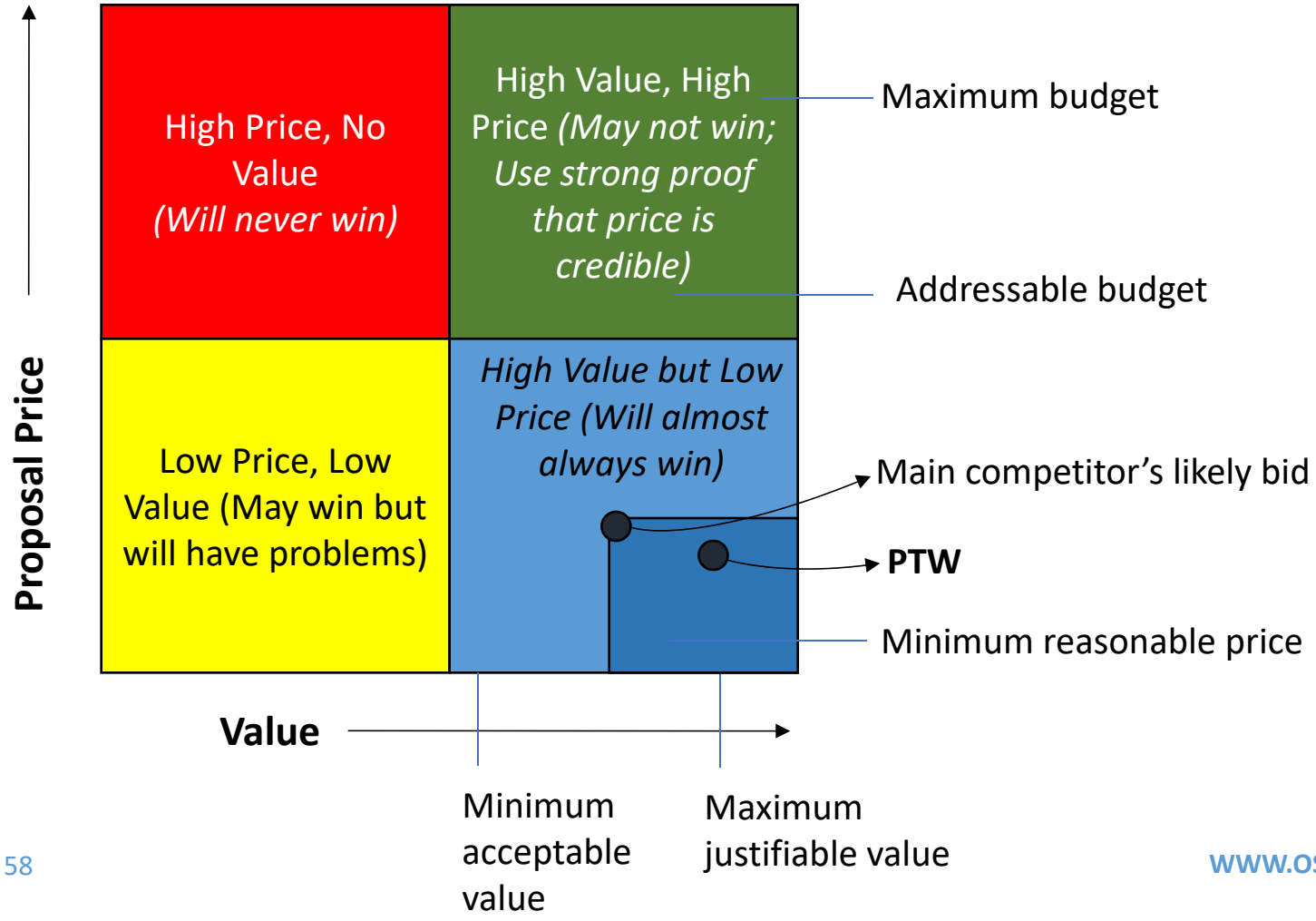
Help you prepare a solution-to-price ("design to cost") bid that can outdo the fiercest competitor and produce a profitable win

- Solution and price are intimately connected
- Understanding the relationship between technical and price is at the heart of the PTW

Pricing a bid safely is the best bet, as proven by the GAO study; out of 68 DOD best value awards:

- 21 resulted in higher priced bidder with high technical score
- 18 to the lower priced bidder with lower technical score
- 29 to the bidder with lower price and higher technical score

The Tradeoff Between Value and Price



Understand the Best Value Continuum in Proposal Evaluation

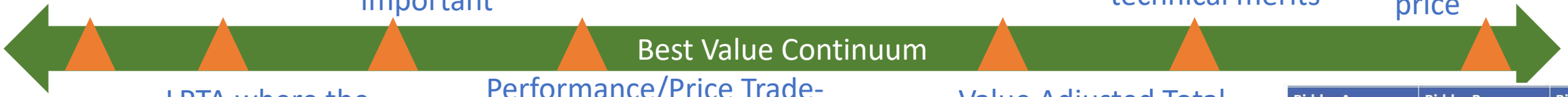
FAR Parts 13-14 | FAR Parts 8 and 12

Simplified and sealed bids

LPTA where the customer reads all the proposals and it is possible to influence the perception of what's technically acceptable; cost factors significantly more important

Highest Technically Rated Offeror (HTRO): emphasis on technical merits

Full trade-off analysis between the cost and non-cost factors; non-cost factors are more important than price



LPTA where the customer only reads the lowest-priced proposal; cost factors are most important

Performance/Price Trade-off (PPT) – once the proposal is deemed technically acceptable, the customer decides between price and performance; cost and non-cost factors are equally as important

Value Adjusted Total Evaluated Price (VATEP): a balance of cost and non-cost factors with an emphasis on adjusted value.

Bidder A	Bidder B	Bidder C
5 Strengths	3 Strengths	6 Strengths
2 Weaknesses	No Weaknesses	1 Weakness
$52M	$51M	$65M

Evaluation Criteria Weighting Example

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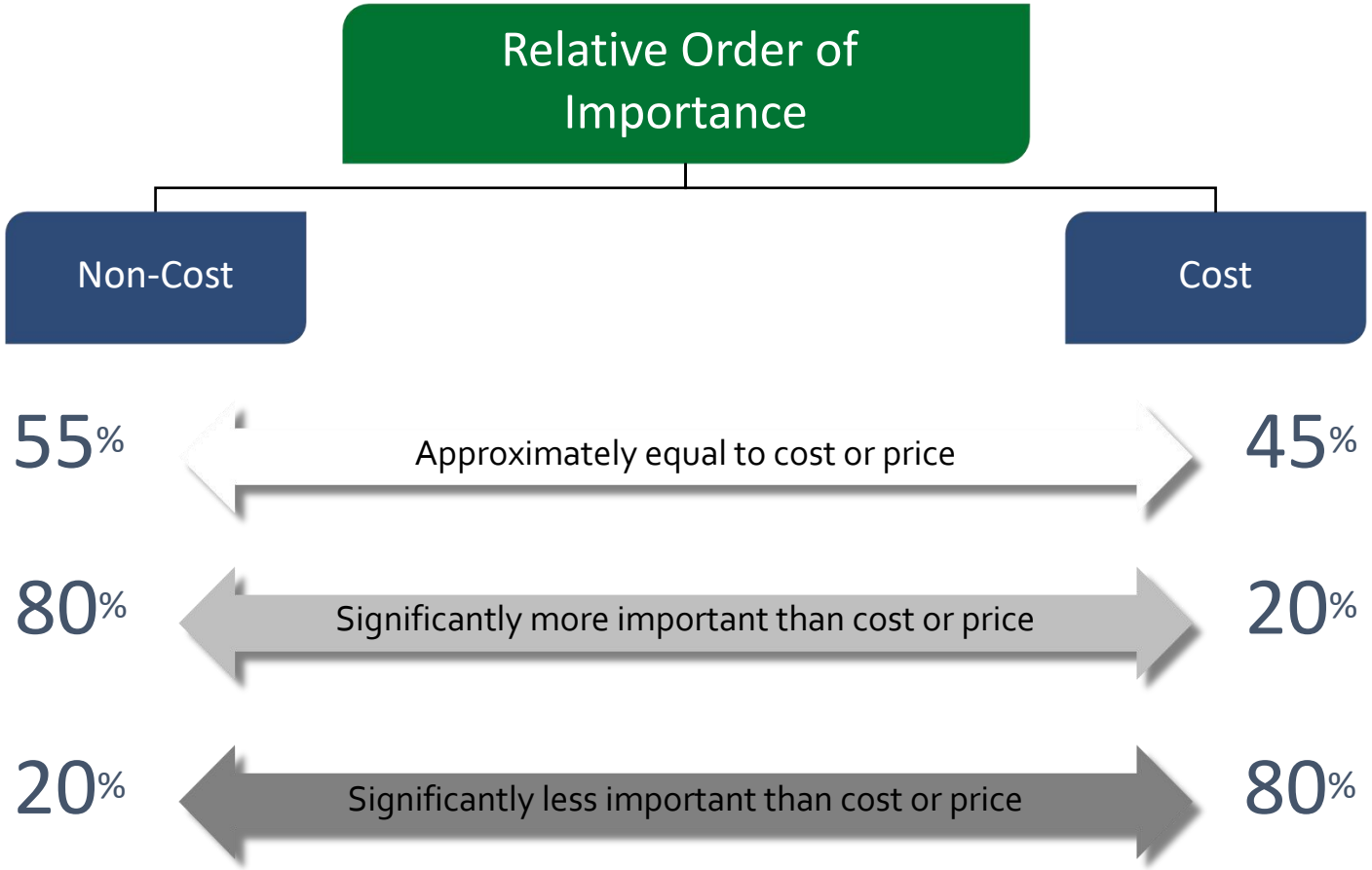
Note that no matter what, the price is usually the deciding factor when everything else is found equal; and is the deciding factor in more than 85% of all procurements



Create a Scoring Tree to Understand the Weighting of the Evaluation Criteria

- Evaluation factors:

  (1) Mission Support

  Factor 1 – Technical Approach
  Factor 2 – Management
  Factor 3 – Quality Control

  (2) Past Performance

  (3) Price

From the Black Hat, you should already understand how you and your top competitors might score against each evaluation factor

- The Mission Support factor is more important than the Past Performance factor and more important than the Price Factor
- The Past Performance Factor and Price Factor are equal in importance
- Under Mission Support, Factor 1 - Technical Approach, and Factor 2 - Management are of equal importance, and each of these Factors is more important than Factor 3 - Quality Control

Your Scoring Tree Should Be Similar to This:

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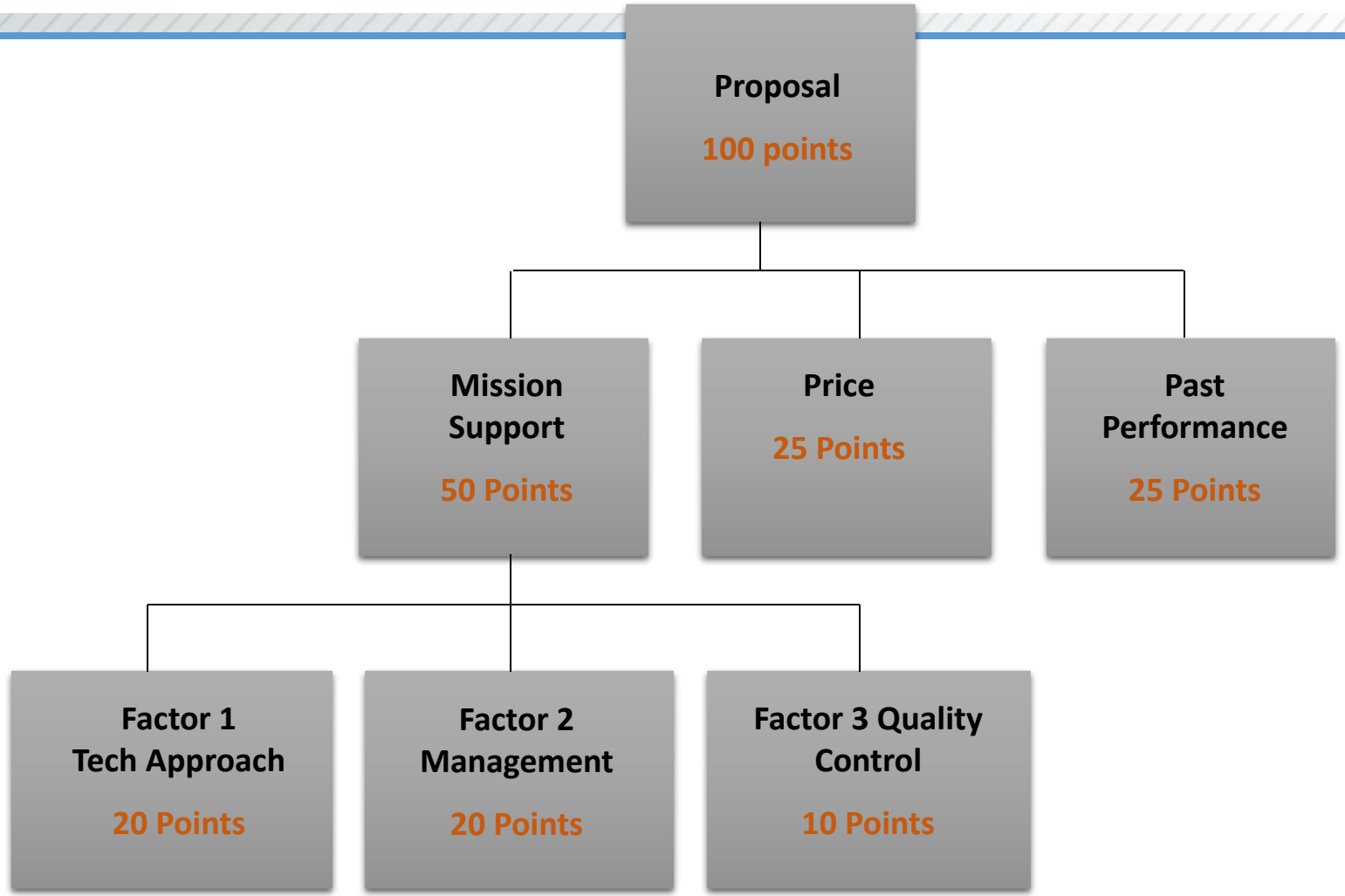
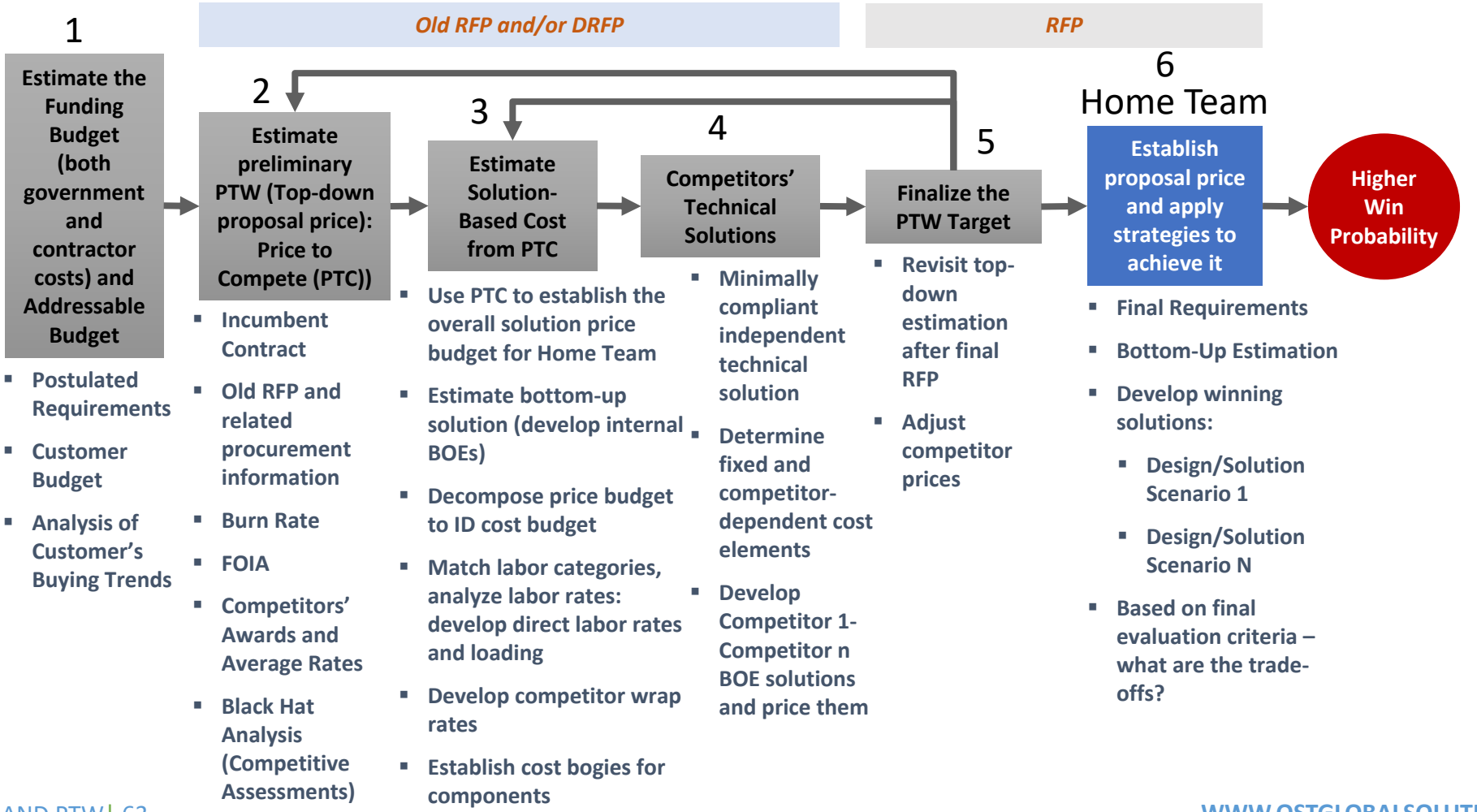
- In a Best Value competition, don't look at price in a vacuum – if you score blue in all areas, you may have some breathing room with price.
- For example: if you don't have the greatest past performance, you will need to take money off of price, and vice versa.
- Everywhere there may be a risk to the Government, it will impact price downward.

You should understand from Black Hat where you are compared to your competitors' scores overall, and against each factor

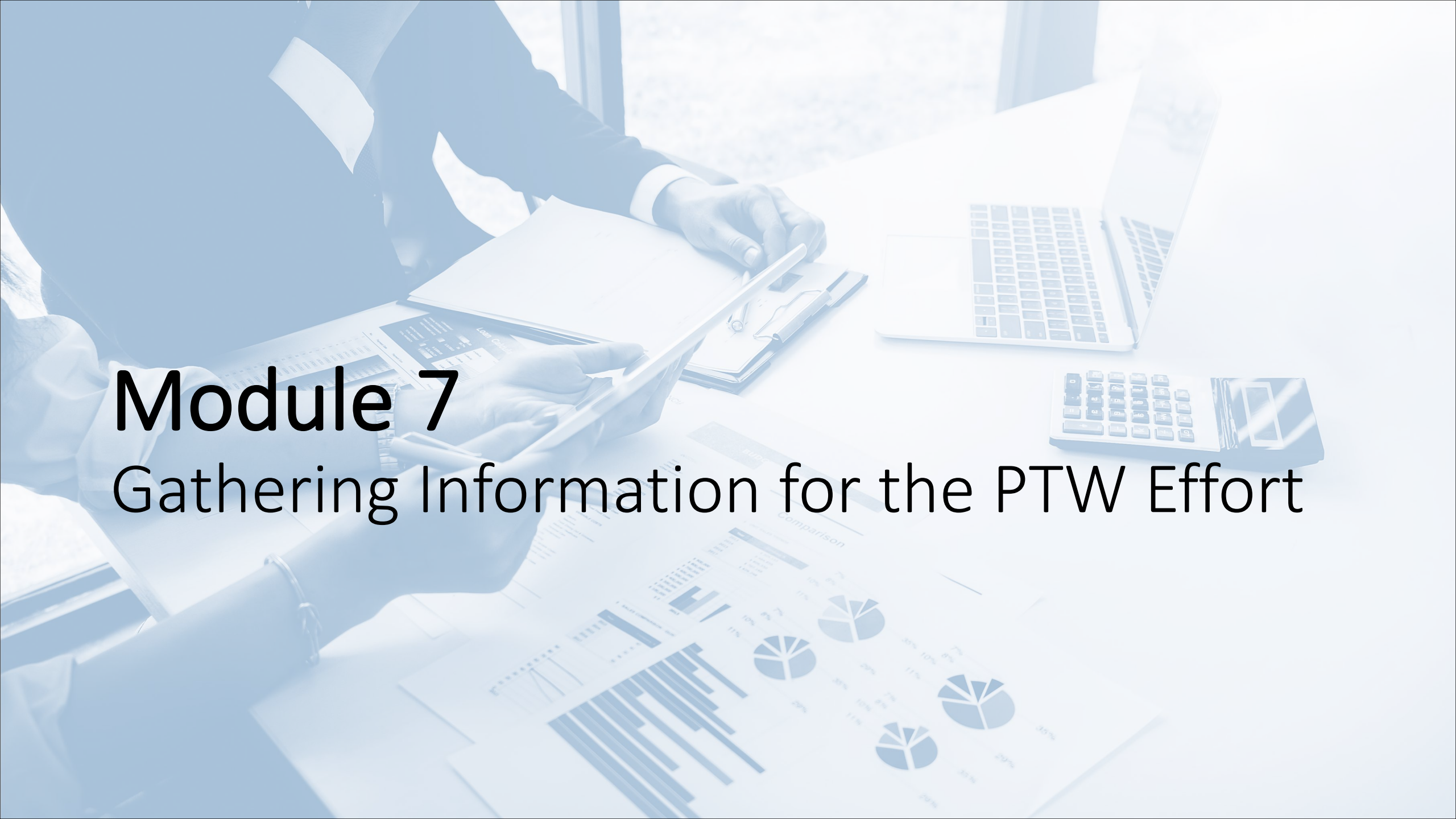


PTW Development Process

Understand the PTW development process and its iterative relationship with the minimally compliant solution and price strategies



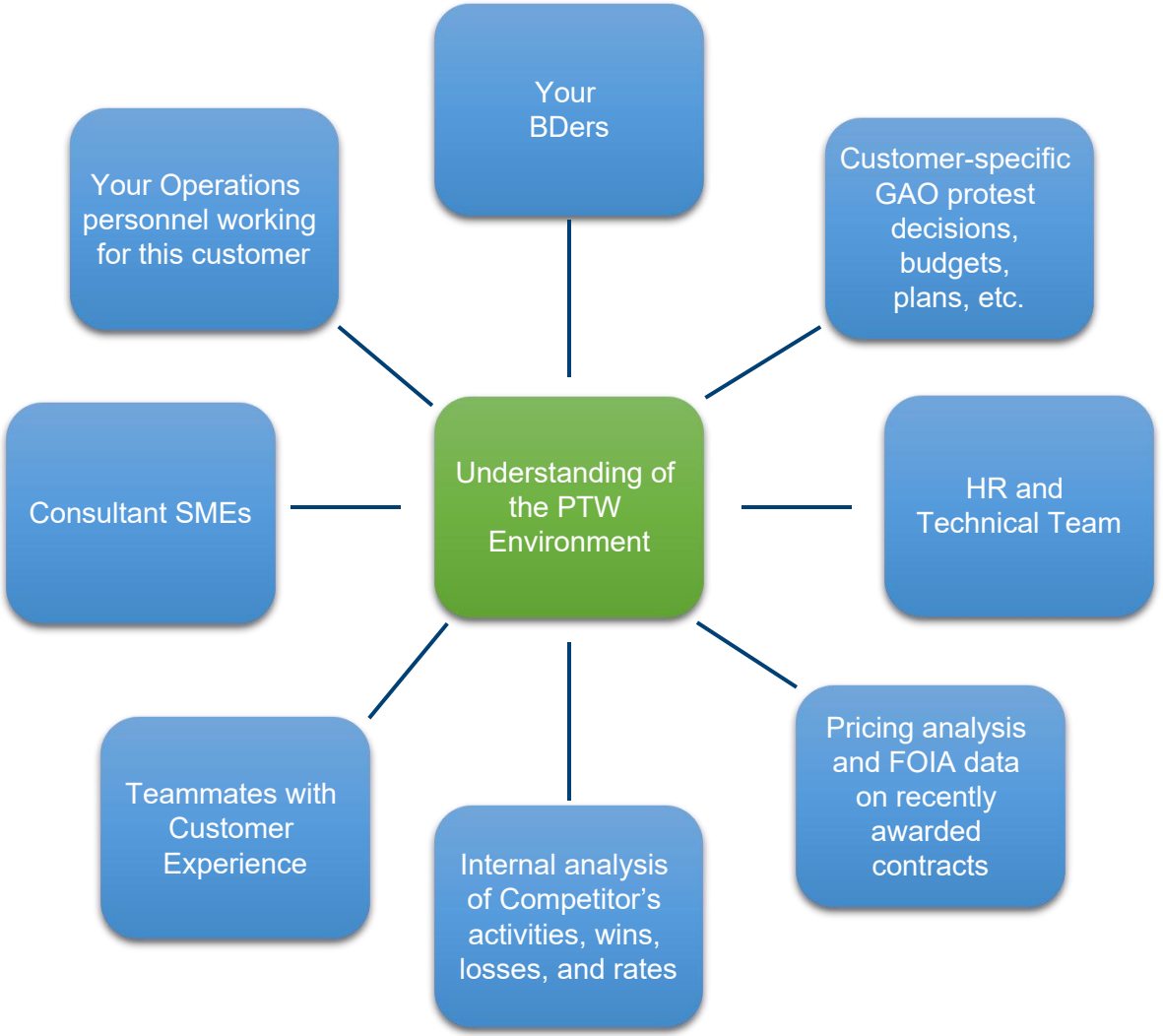
*Don't forget to consider: Return on Investment, new business investments, warranty for products, learning curves, management reserve, etc.



Module 7

Gathering Information for the PTW Effort

Mobilize Information Sources for Situational Assessment for PTW



Estimate the Funding and Addressable Budgets

- Collect budget information (money from Congress, user fees, etc. that customer gets) to determine total **funding budget**
- **Calculate addressable budget:** Total Budget minus the money it takes the customer to manage this program
- Between 5% (usual), 10% (middle of the road and safest), and 15% (when the government has built large cushions for critical programs) of the total, depending on how lean they run
  - **TIP:** Look at the last year of the current program; customer's costs are similar when customers recompete
- Understand funding cycles and schedules – what can your customer use and when
- Often when reviewing budget documents, you will find they are not contract-specific (allocated to major programs and agency divisions); then look at the FPDS data to determine annual burn rate to derive total annual contract value for the project (and therefore total value)

Where to get information:
Paid and free sources: BGov, GovWin IQ, DACIS for DOD, NASA, OMB (annual budget, Exhibit 300s), President's Budget, Individual agency acquisition sites, agency procurement forecasts, award documents (government may indicate the funding level there – can see what the winning bid price was and what the funded value was to figure out the agency adder), GAO protests (may not be much help with budget though), historic spend on previous programs, new draft RFPs or old procurement information, etc.
Acquisition data: Industry day slides, other published documentation, asking the customer, FOIA requests of competitors' proposals, including costs, etc.

1

Estimate the Funding Budget (both government and contractor costs) and Addressable Budget

What may be included in customer's costs of procuring and managing projects:

- Program management
- Reserves for change orders – either errors in estimation or scope creep
- Agency or department overhead
- Additional services such as IT, communications, SETA contractor, QA/QC, test and evaluation, etc.
- Travel and temporary duty costs
- Vehicle fees

Analyze Customer's Award Trends

- How does the same contracting officer buy over the past 3-5 years for relevant types of pursuits?
- How does that entire procurement office buy over the past 3-5 years?
- What evaluation criteria do they use?
- What price requirements do they impose?
- What protests were filed and what information could you glean from the protest documents on source selection and decision-making process?
- Are there any published debriefs from that contracting office or agency?

What to do with the information:

- Identify what the budget must have been
- What was the award value?
- Has the customer always awarded to the lowest bidder, or higher bidders? (Source: GAO Protests)
- What ended up being the program spend after all the modifications?
- Figure out what portion of the budget the customer used internally vs. contracted out
- Is there anything pointing to the awardee's performance issues?

Visualize the information and plot budget and awards/spend along the axis of award value and program's relevancy

1

Estimate the Funding Budget (both government and contractor costs) and Addressable Budget

Analyze Your Competitor's Awards

- What did the same contracting officer (or other contracting officers in the same office or the SSA for a larger program) buy from your competitors over the past 3-5 years for relevant types of pursuits?
- How many bids were submitted?
- What was those programs' addressable budget?
- How far below that budget did the competitors bid? Did they win on low price, greatest capability, or best value?
- What protests have your competitors filed and what information could you glean from the protest documents on source selection and decision-making process?
- Are there any published debriefs from that contracting office or agency that are specific to your competitors?
- Do you have any spend information on your competitors' contracts?
- How realistic were your competitors in their bids – did they overrun the program? What modifications were made on the program? Were these overruns or additional scope mods?
- Plot this information on a **graph of Award Value vs. Program Relevancy**

IMPORTANT: Make sure you deal with the same division of the company as different facilities often have different cost centers

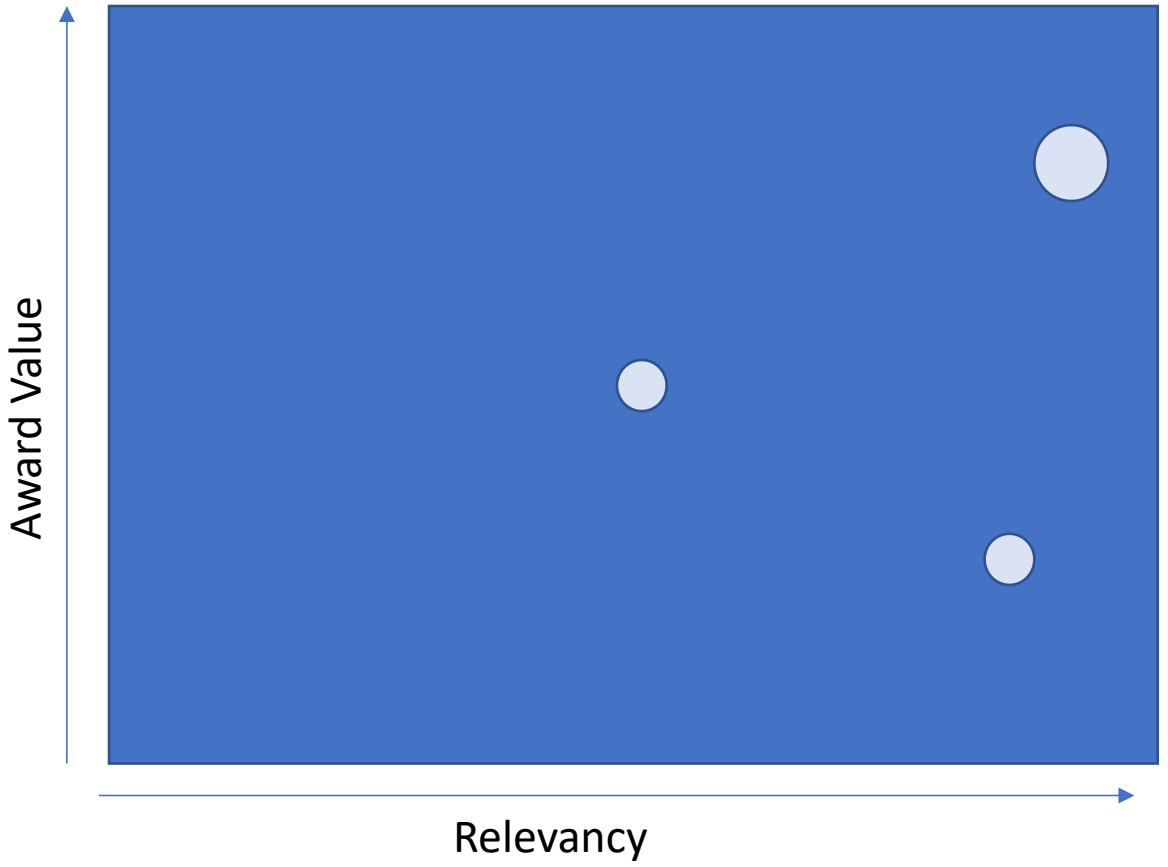
- DACIS looks at companies by CAGE code (Facility code) that has the same cost center
- If you look at all the contracts from the same CAGE code – all of them should have the same wrap rate

2

Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

Plot Your Information for Visual Trend Analysis

- Plot relevancy and award value to visualize government award trends:
  - If the government is always awarding to lower bidder or higher bidder will give you insight into how to bid
- Also can plot or draw conclusions from the following information, to gain understanding of customer's award trends:
  - How many bidders (get from USAspending.gov Competition data, DACIS, or BGov)
  - Proposed $ from each bidder (usually obtainable from GAO protest reports, if there was a protest that was upheld or denied)
  - Award $ value



2

Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

Burn Rate

2

Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

- Burn Rate is the pace at which a contract consumes resources annually
- Retrieve FPDS data for individual contracts, including those that are combined into a single procurement; this information provides the basis for calculating the total burn rate for the upcoming contract
- When different contracts are combined into one, pull FPDS data from each individual contract to get the total for the upcoming procurement
- Align the data by converting fiscal years to contract years, which enables a more accurate comparison and analysis
- Calculate the average annual burn rate by dividing the total contract value by the number of contract years
- In some cases, it may be beneficial to exclude the first year of the contract from the burn rate calculation, as this period often involves ramping up operations and may not represent full performance levels; and it may not even be full 12 months
- For contracts with a longer duration (e.g., 10 years), concentrate on the burn rate for the most recent 3 years, as the contract's resource consumption may have evolved over time
- Account for 3–6-month FPDS data lag in DOD contracts for national security reasons. Adjust your analysis accordingly to ensure accuracy
- Examine contract modifications, especially those with detailed notes, to gain further insights into changes in the contract's scope, requirements, or performance

Filing FOIA Requests for Cost Proposals

- Generally you will get cost proposal copies back but it is so redacted that you may not get a lot of data (up to 70% may be blacklines)
- Valuable information you are after:
  - Any golden nuggets someone omitted in redacting – totally legitimate amazing information
  - Total number of personnel and labor categories on the contract – highly valuable in wrap rate and labor rate derivation
  - The number of task orders, size, and funding orders on the task orders
- FOIA won't be the "holy grail" BUT it doesn't cost you much time or effort to file it
- The best source of data is still talking to people but you absolutely should FOIA every contract on your pursuit list for the next 1-3 years (FOIA early as the FOIA process could take a year or longer)
- If you are the incumbent on a large contract – always FOIA your own information to see what the competitors get

2

Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

FOIA

Reverse Engineer the Winning Average Labor Rates

GovCon Incubator | OST Global Solutions | B&P Academy

Understand the government's and competitors' behavior to inform your pricing strategy and increase your chances of winning.

2

Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

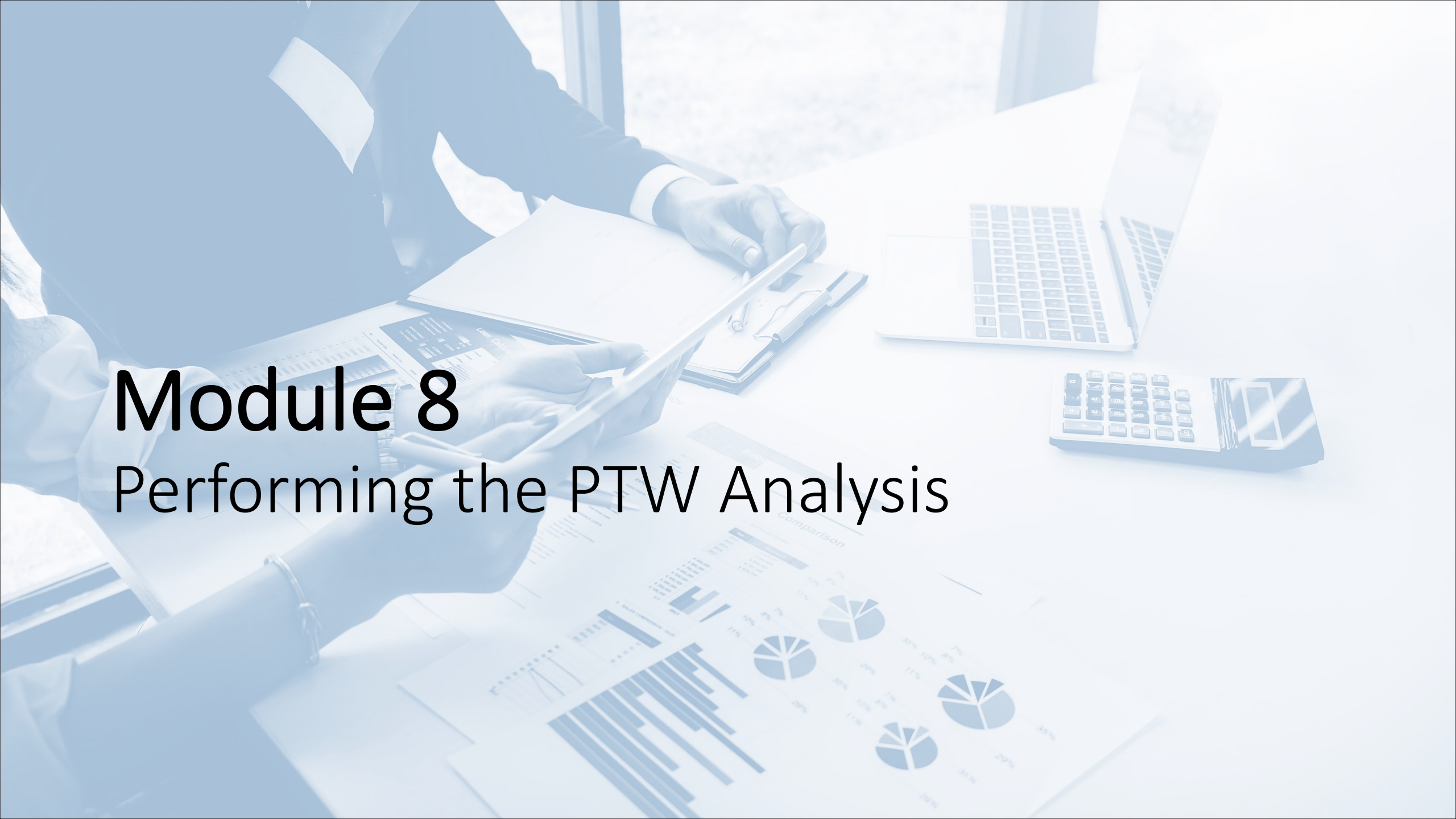
1. Review competitors' awarded contracts: Examine previously awarded contracts to identify labor hours and Other Direct Costs (ODCs) if specified in the Request for Proposal (RFP).
2. Extract ODC information: If ODCs are specified in the RFP, pull out the relevant data to isolate labor costs.
3. Extract labor hours: If labor hours are specified in the RFP, extract the relevant data to calculate the average labor rate.
4. Calculate the winning average labor rate: Subtract the ODC amount from the awarded contract amount and then divide the result by the total labor hours.

Benefits of Reverse Engineering Winning Average Labor Rates:

1. Gain insight into government preferences and expectations for pricing on similar contracts.
2. Compare your proposed labor rates to the winning average labor rates to assess the competitiveness of your bid, to make necessary adjustments.
3. Analyzing winning average labor rates can provide valuable insights into your competitors' pricing strategies, allowing you to anticipate their bids and adjust your own proposal accordingly.
4. Reverse engineering the winning average labor rates can help you refine your cost estimation methods and improve the win probability of your proposal.

Exercise 4: Gathering Information to Prepare for the PTW Analysis

- What key pieces of information would you like to know about the incumbent?
- Research what is available
- Debrief:
  - What were you able to find?
  - What difficulties and contradictions did you run into?
- **Desired Outcome:** Understand uneven data quality; see how much information is available publicly and what information you would need to obtain from SMEs, vendors, or FOIA

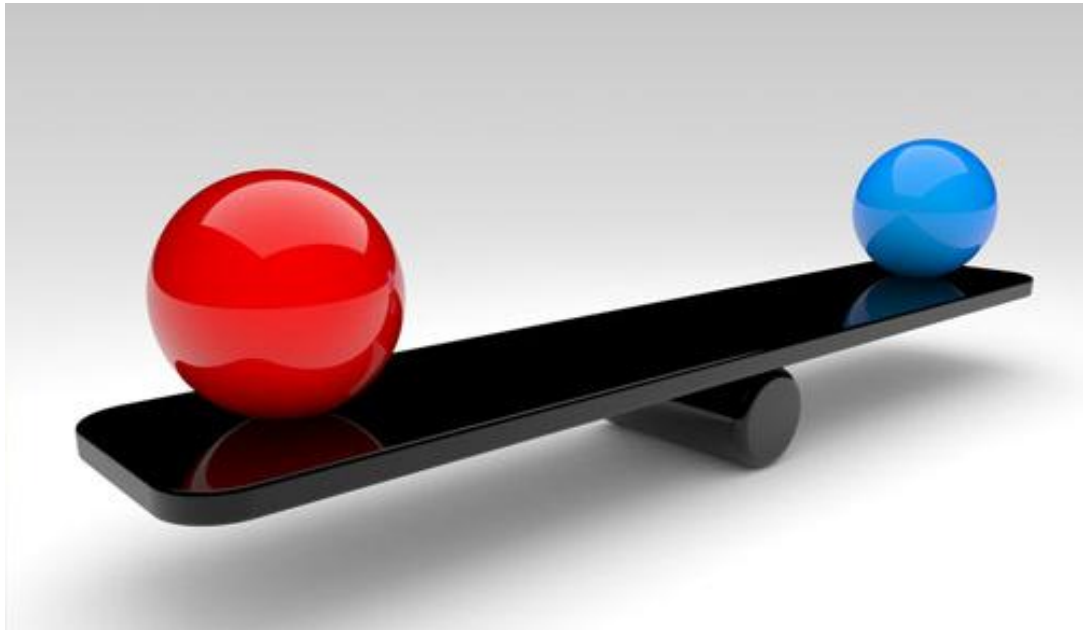


Module 8

Performing the PTW Analysis

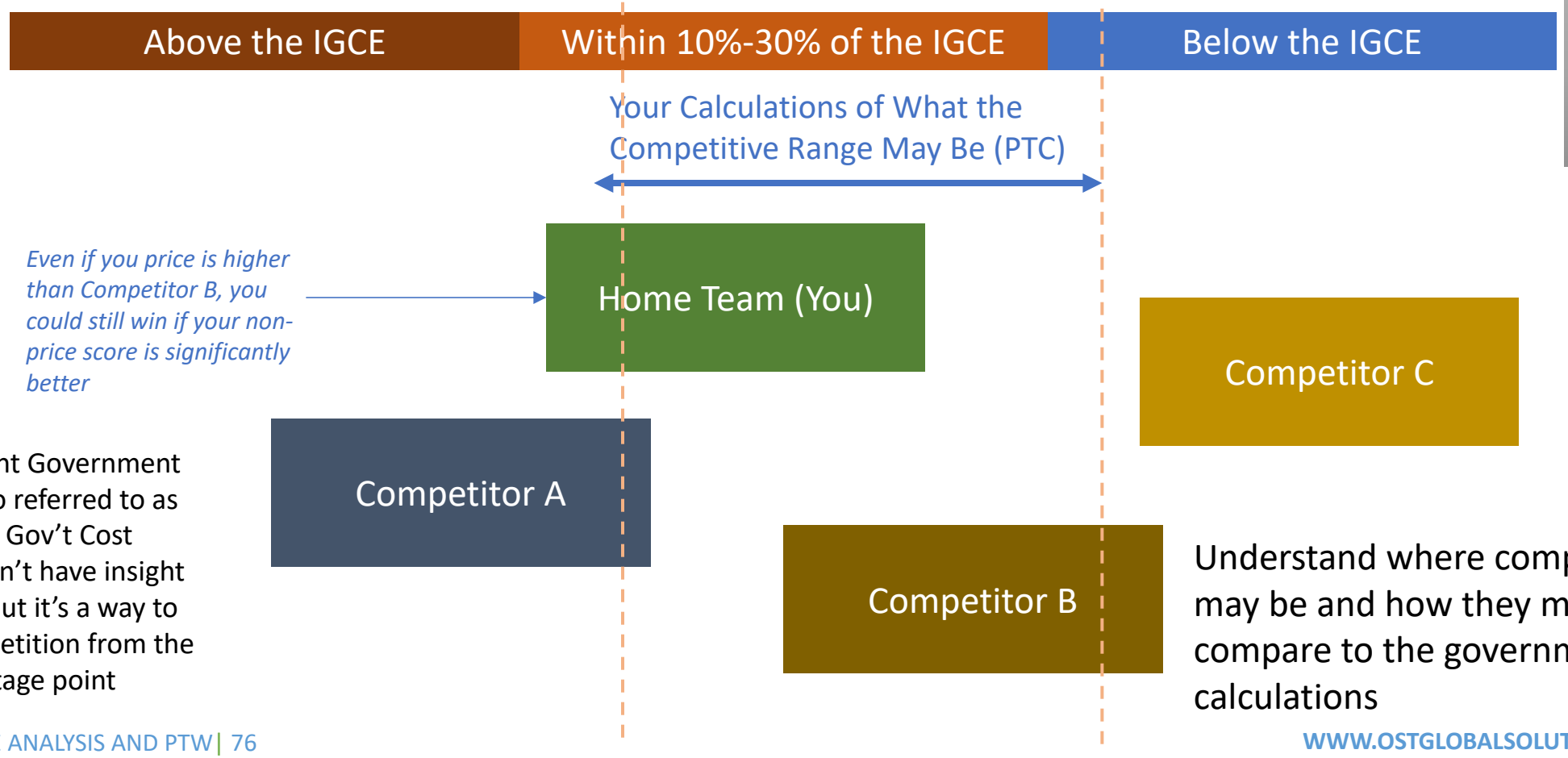
Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

Identify the Price to Compete (PTC)



- Price to Compete is your perception of what the competitive range would be before you get the final RFP
- PTC is your top-down proposal price boundary
- Determine the top-down price not to exceed based on:
  - Customer's award trends
  - Your competitors' bid trends
  - Any deltas between past contracts that you have looked at and current opportunity's contract type, requirements, and evaluation criteria
  - What conclusions can you make based on this information, and how far below should the price to compete be from the customer's addressable budget?
  - Plot the results on the **award value vs. program relevancy graph**

Another Way of Envisioning PTC in a Best Value Competition



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Estimate preliminary PTW (Top-down proposal price): Price to Compete (PTC))

***IGCE:** Independent Government Cost Estimate (also referred to as *ICE* – Independent Gov't Cost Estimate) – we won't have insight into this number but it's a way to visualize the competition from the government's vantage point

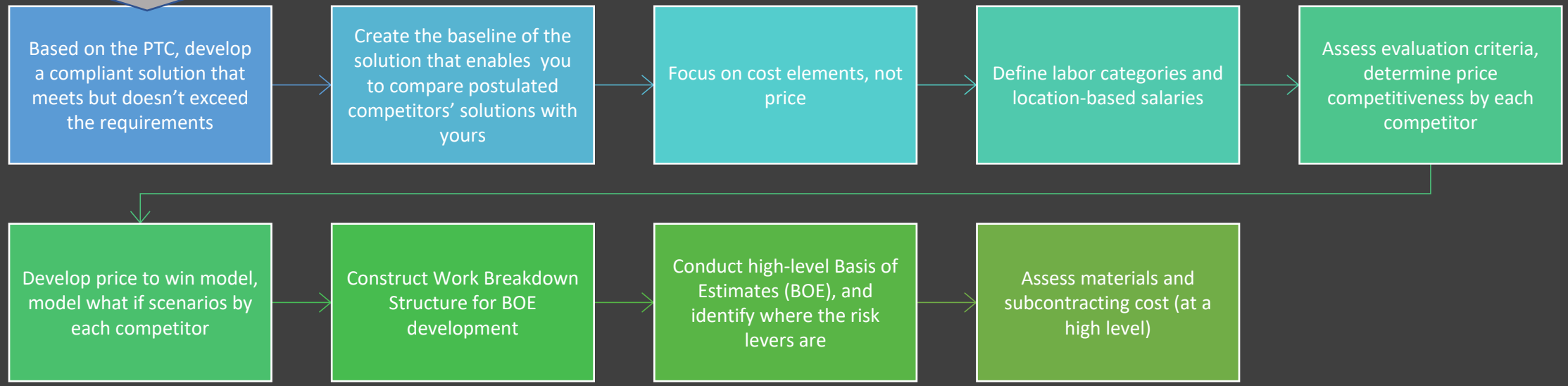
Understand where competitors may be and how they may compare to the government calculations

Develop a Bottom-Up (Solution-Based) PTW

3

Estimate Solution-Based Cost from PTC

Use DRFP, or old RFP with your capture intel-based updates of the requirements. Update when the final RFP comes out



Price Competitors' Solutions Based on Black Hat Findings and Gathered PTW Data Analysis

Competitors' Technical Solutions

1

Define each competitor's solution based on SWOT analysis

2

Adjust for gaps in your knowledge based on:

- Competitor's behavior on similar programs and blind spots analysis
- Labor costs based on prevalent rates and benefits packages in the area
- Wrap rates (purchased or calculated from other labor-based programs with information that you have FOIA'ed)
- Other Direct Costs (ODC)

3

Analyze competitor as a team – include teaming partners based on workshare and roles (especially if the sub is a large business driving the solution)

4

Determine difference between the minimally compliant solution and each competitor-specific solution to determine customer value

Price Competitors' Offerings Per the RFP and Their Postulated Win Strategies

Competitors' Technical Solutions

Will your competitor offer free transition?	Does your competitor perceive they having a technical advantage over others? Or will they buy their way in, investing now and eating costs or proposing Engineering Change Proposals (ECP) later?	How much or little will they escalate labor prices?
How will they treat uplifts (for foreign/dangerous locations) and shift differentials (different base pay)?	What efficiencies may they propose such as learning curve, technology replacing labor, etc.?	Will they green the workforce? (Greening can be senior vs. junior or changing the roles – ex. Software development vs. COTS solution with lower level of support)
What fee might they propose? Is there a team fee (e.g. – fee sharing or no fee on subs?)	How aggressively might they behave on price?	Independently of the capture team, re-run the Black Hat table evaluation considering price details
Compare results to the earlier Price to Compete and Addressable Budget	Identify your price to win range and where the competitors will be	Keep gathering competitive intelligence over time to refine your results and track changes in conditions

Check Glassdoor, Indeed, Zip Recruiter, Major Job Boards, Competitor Website, and Industry-Specific Job Sites

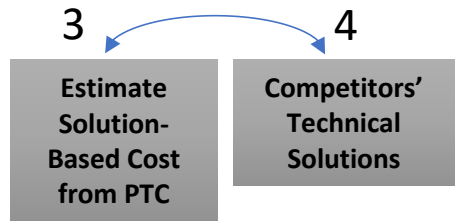
- Are competitors actively pursuing this contract, judging from the relevant job openings listed, and their Business Development activities such as attending Industry Day, Site Visits, etc.?
- Is there any salary information in their job openings?
- What are their employees saying about the company regarding management, turn over rates, benefits, compensation, work hours, work conditions, and so on?
- Compile information in AI tools to analyze and draw conclusions on all of the above
- Did competitors have any recent re-org, key hires?

4

Competitors' Technical Solutions

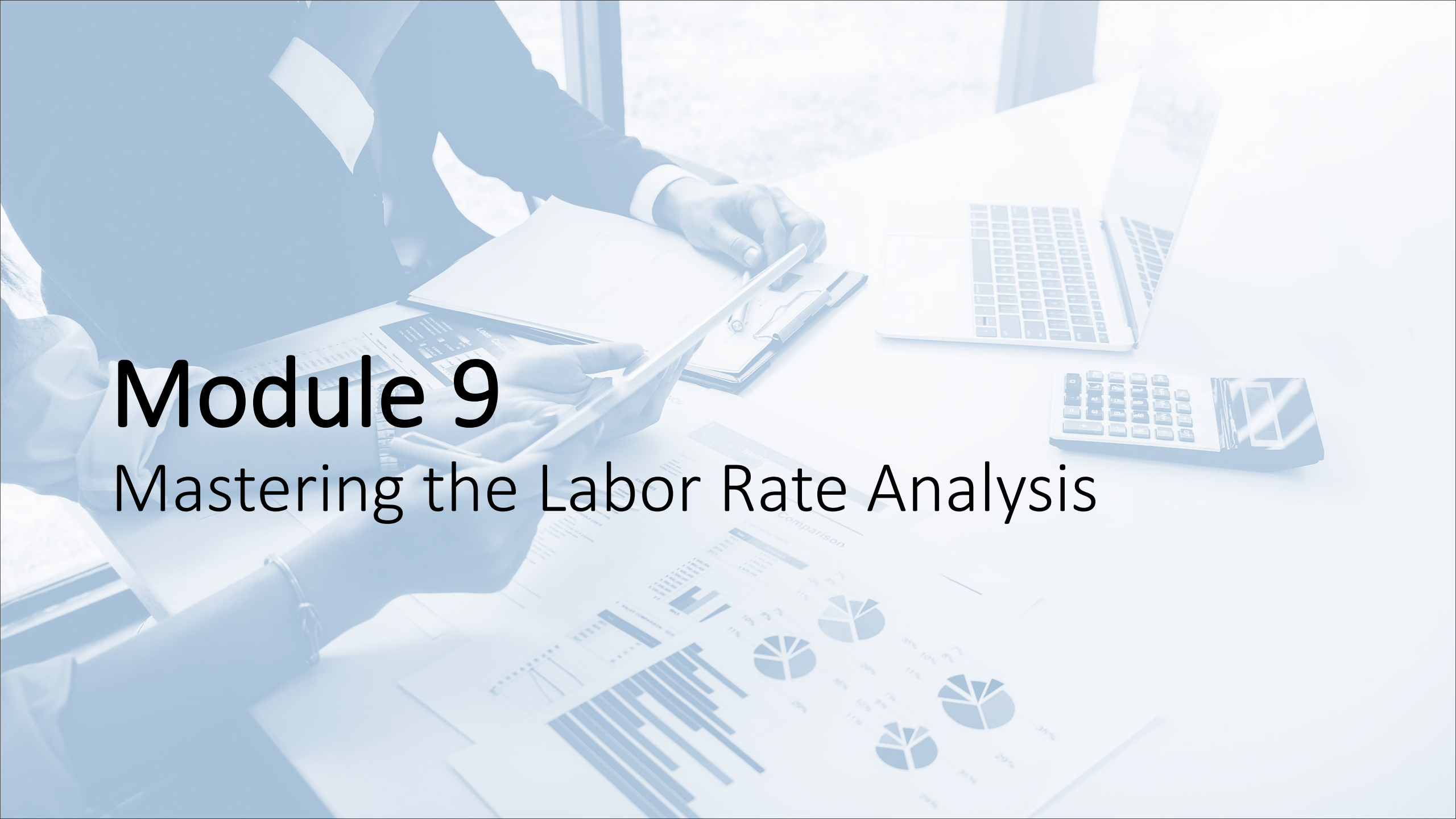
Integrate Competitive Analysis with a Pricing Model

- Create a pricing model that directly feeds key data into the PTW pricing model
- Build a detailed pricing model for each potential competitor, so that you could update all models simultaneously as key data changes
- Directly link all data that is considered **fixed (the same for everyone)** such as staffing, government-dictated hours, productive hours dictated by government or local labor laws, government-set escalation, FTE definition, labor positions subject to Wage Determination (WD) or CBA wages, etc.
- Program the competitive pricing elements as **variables or "levers"** for each bidder ("levers" are numbers you can modify – things that are not dictated by solicitation that you can control; this is how each bidder differentiate their bid from others)
    - Use gathered intelligence to inform **competitive pricing variables** such as headcount, G&A, fee, exempt wages, expat wage packages, international employee content, nationality mix requirements typical to base operations work overseas, overhead, and more.
- Determine the "Lowest Conceivable" price point (how low could competitors get if they really wanted to win this contract) to gauge their pricing strategies as a percentage above the lowest conceivable threshold
- Assess competitors' motivations for bidding low and analyze potential implications
- Calculate margins of error based on the lowest conceivable price, creating a high and low range for each competitor
- Separate pricing and PTW models and run them in parallel, analyzing each variation thoroughly – this is an error checking tool/process



Exercise 5: Walk Through the Steps of PTW Analysis

- As an instructor-led exercise, walk through the steps of PTW analysis required for the case study
- Combine the information found with plug numbers, identify additional information requirements and possible sources, and your lessons learned
- **Desired Outcome:** Understand the level of work involved in the PTW process and PTW's limitations and opportunities

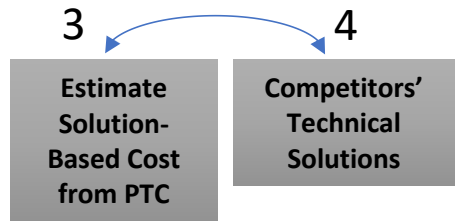


Module 9

Mastering the Labor Rate Analysis

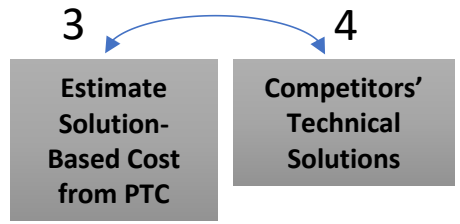
The Process for Performing the Labor Rate Analysis

- Labor rates weigh heavily into your bid-no-bid decision on a recompete or new contract
- The goal is to present realistic and competitive rate ladder (wage rates for all positions) in your proposal, that highlight your overall bid strength, with highly valued technical solution at the best price to the government
- Ensure the overall average labor rate meet the target in your Price to Compete



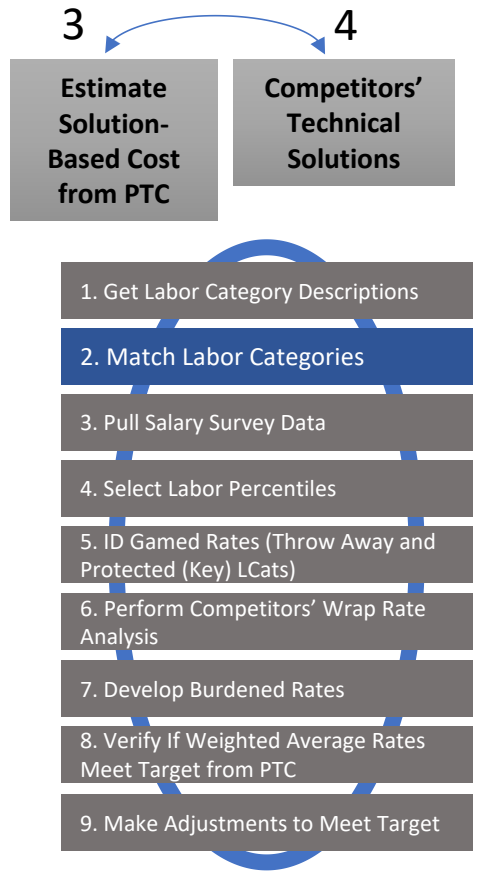
1. Get Labor Category Descriptions

- Review the labor categories description provided with the RFP
- If there is none or they are sparse, look into an old RFP or relevant RFP, and work with the technical SMEs to develop them
- Usually, when the RFP doesn't provide good labor category descriptions and you are not the incumbent, the RFP could be rigged towards the incumbent
  - Ask the question stating that the incumbent has an advantage because they are the only one who knows what the work entails
  - Also ask the government to provide years of experience and education for each position as a minimum
- Always file a FOIA request for competitors' proposals or at least contracts with labor category descriptions (FOIA one year in advance – start capture early)



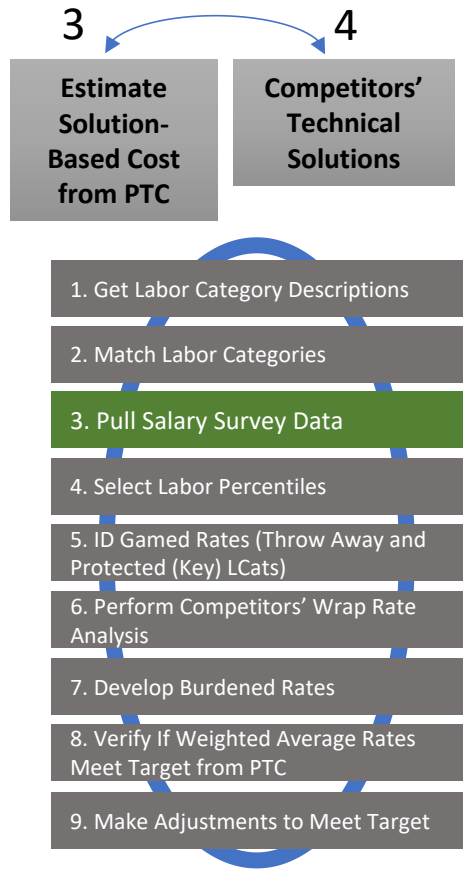
2. Match Labor Categories

- The primary goal of labor category matching is to create a fair and accurate comparison between your organization's labor rates and those of your competitors for similar labor categories or positions
- The problem is that labor categories are rarely titled the same so it's unclear which positions are equivalent to one another
- To do the proper matching, it's important to understand the functional duties of each labor category
- Map by functions, not merely by titles
- If not in the RFP, ask SMEs to clearly define each labor position and their intended functions
- Pay special attention to education, years of experiences, and make appropriate adjustments up or down if these don't match
  - **Example:** We need HS + 2 years of experience for a Junior position. The Salary Survey starts with BS + 1 year, which is equivalent to HS plus 5 years. We could remove 3 years of experience by equating every year of experience with 5-10% of salary.



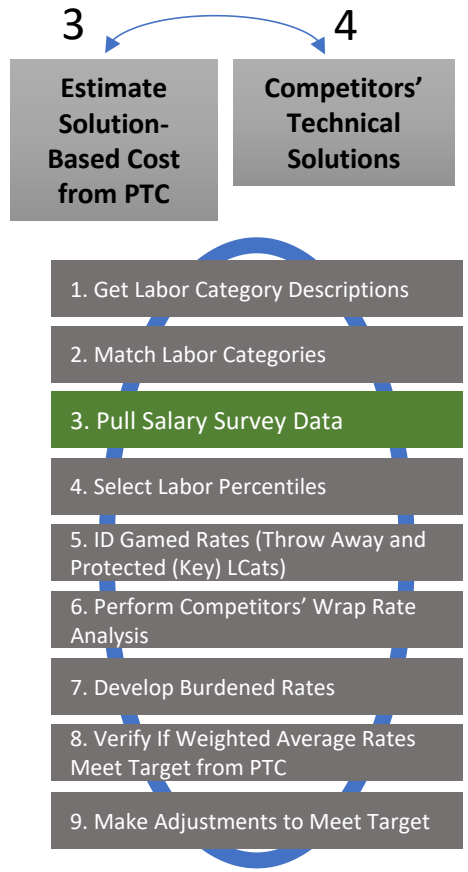
3. Pull Salary Survey Data

- Use paid sources such as the Economic Research Institute (ERI) for salary survey data and geographic pay differentials
  - DCAA strongly prefers ERI over free sites such as Salary.com
  - U.S. Bureau of Labor Statistics https://www.bls.gov average median wage info is also appropriate (older data than what ERI has but it also has location adjusters)
  - Use the closest (appropriate) metropolitan area if the location doesn't appear on the list
- Key challenge – ERI and other salary survey data is more generic than government labor categories
- Invest time to ensure your mapped salary survey labor categories match the government's – don't go off names only, but by functions and duties (read labor category description carefully)
- Combine 2-3 different ERI labor categories that may correspond to one RFP labor category (if a mix of commercial roles translated into government RFP roles)
- Blend rates from different labor categories based on relevance in job functions and skill level
  - For example, blend a Sr Systems Administrator with Mid Systems Administrator, or Systems Engineer to blend to the needed skill set and skill level
  - Have a reason for picking percentiles of each job (percentiles are a bell curve (10^{th}, 25^{th}, 50^{th}, 75^{th}, 90^{th})) and support the decisions with explanations, even if a proposal doesn't require it
  - Read requirements in solicitation and know the end client – do they care about quality of people or care about paying as little as possible. If they value quality, competitors may bid 30^{th} - 50^{th} percentile or higher; if not, the lower the rate will be
  - Document a reason why you chose those categories and that percentile; if audited, you will have a baseline to go to



Use Professional Judgement When Choosing Salary Surveys to Use

- **Different salary surveys skew towards their target industry and based on their survey participants. For example:**
  - **ERI** tends to run lower; use ERI for more competitive industries such as maintenance, help desk, call center, etc.
  - **Payscale.com** is more competitive, similar to ERI
  - **KENEXA** tends to run higher; works well for higher-end IT and engineering industries, such as cyber security, digital modernization, systems engineering, etc.
  - **Salary.com** tends to run higher, similar to KENEXA
  - **Government Contractors Compensation Survey by Western Management Group** is popular among large government contractors for high-end IT and other technology positions
  - **Bureau of Labor Statistics (BLS)**



Example of Time Allocation Percentages and Blending Rates

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LCAT: Training Officer

Position Summary	Under the direct supervision of the Fire Chief, is responsible for developing, administering, and evaluating curriculum, lesson plans, and training aids supporting a comprehensive training program for the ACME FD. The Training Officer coordinates continuing education programs. Acts as the ACME FD representative at other EMS/fire service related training institutions, municipal departments, state, federal, and local agencies. The Training Officer/Fire Inspector manages all certification required programs and regulary exercises discretion and judgment. The Training Officer/Fire Inspector is responsible for developing and implementing policies and procedures, pertaining to the training of the fire department. Insure compliance with all Local, State, and Federal fire department training regulations. The Training Officer/Fire Inspector will assist in fire inspections, life safety code requirements, building inspections and testing of fire suppression/alarm systems. Maintain high ethical standards, overall values of the business, and the Code of Ethics and Standards of Business Conduct to include cooperating during Company investigations; treat all individuals fairly and with respect. Responsible for reporting potential real environmental concerns to the Environmental Services
Allocation of Time	
30%	Assist Chief Fire Inspector with testing, inspection and maintenance of fire alarm systems and fire suppression systems. Conduct building inspections for hazards and insure compliance of NFPA codes. Conduct specification reivews and conduct pre-awards for sub-contractors.
30%	Manage and maintain all Fire Department training records to ensure compliance with all outside auditing agencies and to meet or exceed the prime contract requirements. Conduct fire related training of company employees.
20%	Responsible for developing, administering, and evaluating curriculum, lesson plans, and training aids supporting a comprehensive fire department training program for ACME FD. Serves as a Staff Officer and attends all Staff Officers' meetings. Assists the Assistant Chiefs in planning, facilitating and/or instructing all monthly scheduled EMS/fire training classes. Responds to all emergencies to observe and assess the quality of work to determine training needs.
20%	Serves at the ACME FD EMS coordinator and is a representative at EMS/fire service related training institutions, municipal departments, state, federal, and local agencies. Prepare a variety of correspondence and reports to Government Agencies on assigned programs.
100%	

3 4

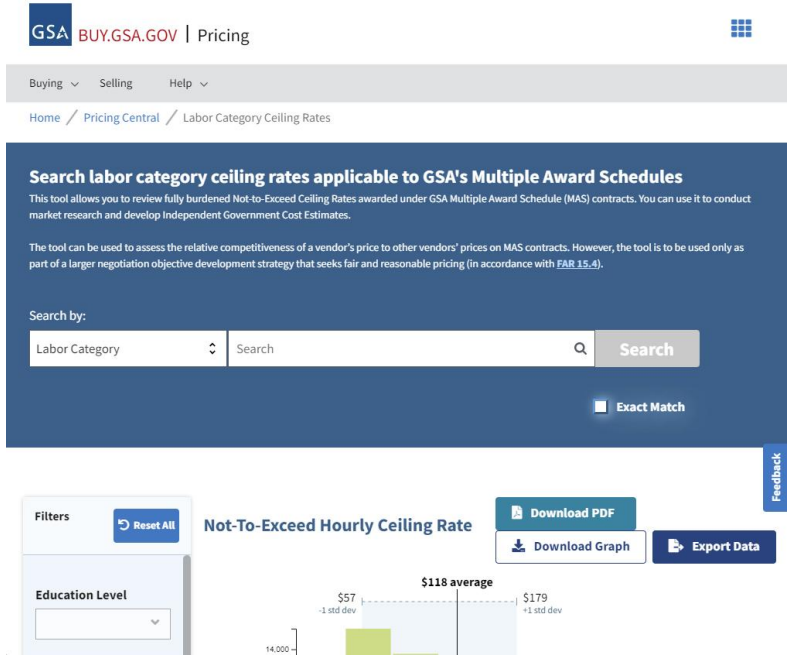
Estimate Solution-Based Cost from PTC

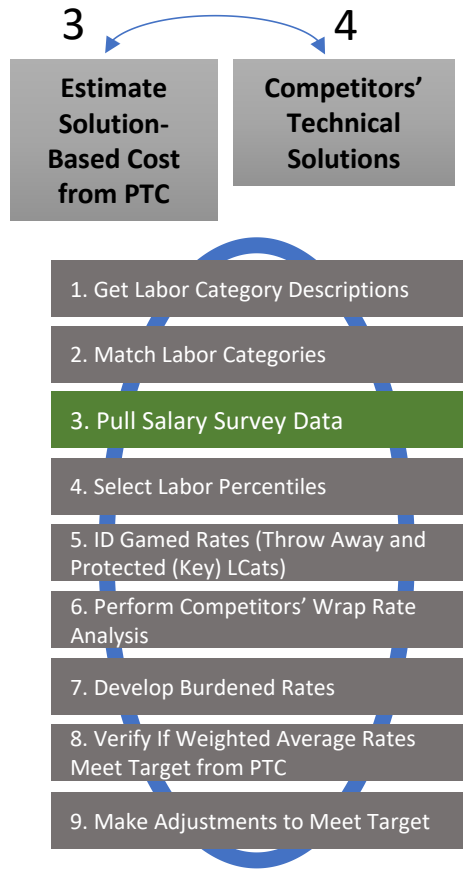
Competitors' Technical Solutions

1. Get Labor Category Descriptions
2. Match Labor Categories
3. Pull Salary Survey Data
4. Select Labor Percentiles
5. ID Gamed Rates (Throw Away and Protected (Key) LCats)
6. Perform Competitors' Wrap Rate Analysis
7. Develop Burdened Rates
8. Verify If Weighted Average Rates Meet Target from PTC
9. Make Adjustments to Meet Target

When and How to Use GSA or GWAC Rates as Data Points

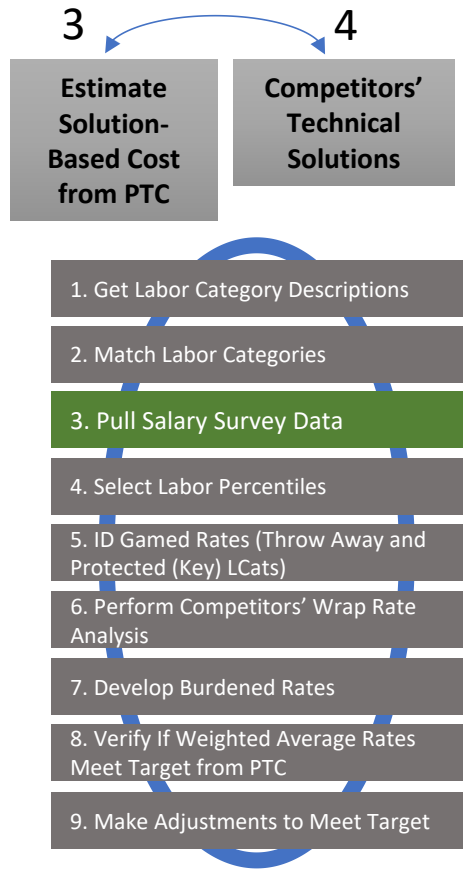
- When look for GSA or GWAC rates – recognize companies rarely use the rates exactly as they are in schedules; they are ceilings – not a legitimate bid rate
- Analyze GSA or GWAC rates – most info is public (try Buy.GSA.gov, BGov, or GovWin IQ Labor Pricing module)
  - Looking across multiple schedules to determine which rates are similar and which aren't
  - Don't look at rates by category names – look at the descriptions: same position can be vastly different for each company
- Note that now you may be dealing with three sets of labor categories – RFP, salary survey, and GSA or other GWAC rate category





GWAC/GSA Rates Analysis Tips

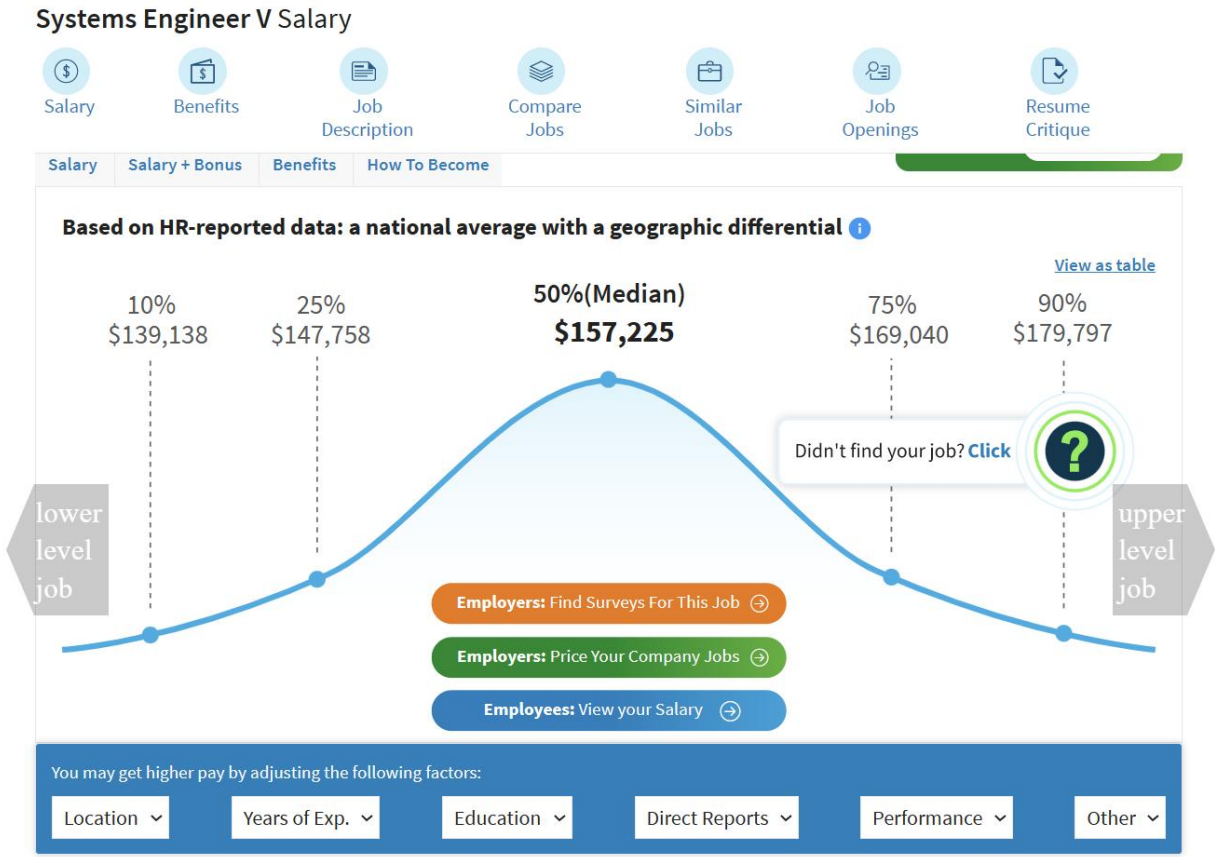
- Map GSA/GWAC rates to the RFP labor categories – don't worry about mapping GSA/GWAC to the salary survey (skip the "middleman")
- Try to find any contracts that company has won that are GSA schedule contracts – and see if you could get loaded rates from that contract to see how much they discounted those rates
  - Apply location factors – what's the competitor's highest priced location in the U.S.? DC, CA?
  - Assume it will be lower in other locations
  - Some companies' GSA rates are truer than they would like them to be as GSA has been pushing rates down
- If data is available, look across multiple schedules, GWACs, and other awarded contracts to determine the wrap rate
- Note that wrap rates derived from GSA schedule rates will be on the high end; don't ignore them but understand you need to validate them first
- The larger the proposal – the more time you could spend on analysis; do it early as there is only so much you can do in a narrow window of time
- Analyze all the labor rates for every bid you submit; as you get better at it, the work will average to roughly 1 hour per labor category for 3-5 competitors



4. Select Labor Percentiles

- Understand the bell curve of direct labor rates (or salary) for each labor category
- Understand the weighting effect of each labor category that moves the needle:
  - Ex: if 80% of the contract are Sr. Engineers, then the labor rate for Sr. Engineers is the "needle mover" on the Total Evaluated Price.
  - Must be careful with assigning the right labor percentile, to be both sufficient and competitive.
- Understand competitors' behavior in selecting "labor penetration" (same as labor percentile) analyzing historical trends, vehicle rates, interview data, Glassdoor information, GAO reports, etc.

Example from Salary.com



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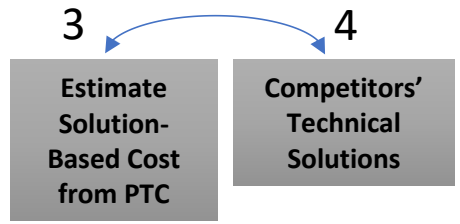
5. ID Gamed Rates: Goal and Definitions

- **This step's goal is to identify and differentiate between "gamed," "protected," and "throw-away" labor rates to develop a balanced and competitive pricing strategy**
- **Definitions Gamed labor rates (bid high or low):**
  - Strategically adjusted labor rates that bidders use to gain a competitive advantage
  - Companies may lower rates for certain labor categories to create an overall lower price for their proposal, making it more attractive to government
  - These lowered rates may not accurately reflect the actual costs of employing the labor categories in question
  - Companies must be cautious with gamed labor rates, as they can lead to financial risks or performance issues if the actual labor costs end up being higher than anticipated
- **Protected labor rates (bid high):**
  - Associated with key personnel or critical positions that are essential to the successful execution of the contract – everyone must have them; these positions often require a higher level of skill, experience, or expertise
  - Companies may assign higher labor rates to ensure to attract and retain qualified candidates
  - Assign a higher penetration (bell curve percentile) to these positions (such as Program Manager, Senior Systems Engineer), reflecting their importance and the need for competitive rates to secure top talent
- **Throw-away labor rates (bid low):**
  - Refer to rates that are less critical or less used in the overall contract (they are not weighted much, and the lower is the weighting of the hours, the less important is the position – *however, it may be the opposite depending on the pricing and executed profit objectives*)
  - These rates may be assigned to labor categories with minimal contract impact on quality, or those that require a lower skill level
  - Assign low penetration on low skilled positions (such as administrative assistants (general clerks), cable pullers, etc.)
  - Companies might assign lower rates to these categories to reduce their overall bid price, but they should be cautious not to underestimate the actual labor costs, which could lead to financial risks or performance issues
- The remaining labor categories are treated as averages (neither high nor low)



5. ID Gamed Rates: Process

1. Examine all the data by gathering salary survey data, incumbent data, technical estimate salary, other relevant data, and outliers for all labor categories

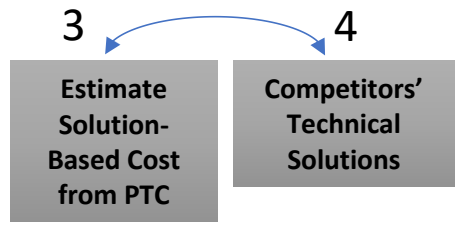
2. Identify labor rate types by examining the skill levels, weighting of hours, and importance of each labor category to identify "gamed," "protected," and "throw-away" labor rates.

3. Adjust competitors' and home team's rates according to the identified labor rate types to balance competitiveness and risk.

Result: Realistic and competitive "rate ladder": a comprehensive analysis and visualization of labor rates across various categories, incorporating salary survey data, incumbent data, technical estimate salary, other relevant data, and outliers. **This ladder helps to differentiate between different types of labor rates and supports the strengths in technical volume; adjust the bidding strategy accordingly**

5. ID Gamed Rates: Run Analysis Results by the SMEs

- Most critical data source: ask the technical SMEs who hire (not the HR staff) for their best guess of salary for each category
- Purely subjective opinion – never use it in your proposal submission
- It is your validation and some of the best data you will ever get
- Ask to do it independently – don't give information on the labor categories data you pulled – have them give their own opinion based on their experience; you are looking for feedback like: "This category says this – and they usually do that – those are different jobs in reality – and we have to really pay them this much."
- SMEs will also help select the percentile for the salaries (step (4) in labor rates analysis)



6. Perform Competitors' Wrap Rate Analysis: Wrap Rate Overview

- The wrap rate usually consists of Fringe benefits, G&A, and Overhead on top of direct labor cost
- "Wrap rate" term doesn't mean the same thing to everyone: **fee** may be also included in the wrap rate
  - Direct Labor Rate x Wrap Rate (with fee) = Fully Burdened Labor Rate (with fee)
  - Labor Multiplier = Labor Rate Load Factor: a financial metric that compares the fully loaded price for an hour of direct labor with the base salary of the employee doing the work
- The most useful competitor labor multiplier information **doesn't include fee** because the wrap rate stays the same for a period of time whereas the fee percentage varies – even on the elements of the same program
  - Example: Higher fee on labor, lower fee on materials, lower fee on subcontractors
  - Fee also varies based on the contract type (T&M, FFP, Cost Plus, etc.)
- Wrap rates usually differ for the contractor and government sites (although they may not for really small companies); also vary on skill level and industry – ex: higher-end cyber security job will have a higher wrap rate as it may involve costs of R&D vs. maintenance labor

Example:

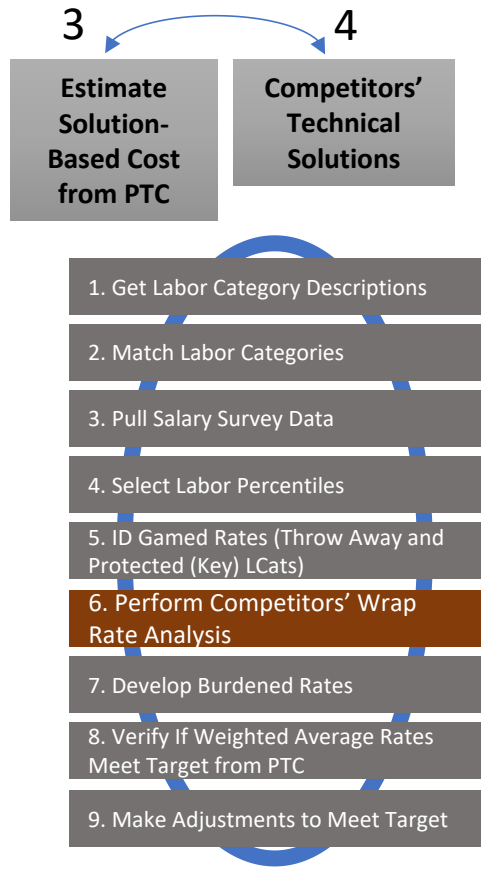
Assume that a direct labor employee is paid $20 per hour in base pay

Apply indirect cost rates for fringe, OH, and G&A -> $20 per hour in base pay grows to $42, including indirect costs

A fee is then applied to the $42 in total costs, resulting in a fully loaded price per hour of $46

The labor multiplier or effective wrap rate is 2.3, which is derived by dividing $46 by $20

Note that this wrap rate includes the fee



6. Perform Competitors' Wrap Rate Analysis: Calculate Competitors' Wraps

- If you FOIA incumbent labor bill rates in the proposal, all you do is divide the loaded labor rate by the incumbent Direct Labor (DL) rate
  - Ex: Your researched salary for the position is 70K/year. 70K divided by 2080 (unloaded DL rate)
  - When you divide the loaded rate by the DL rate, you get the $33.65 hourly rate
  - Bill rate will be more than $33 – let's say it is $60 billed
  - Divide $60/$33.65 = wrap rate (it includes fee)
- Wrap rate always changes – get the most recent contracts from the same cage code (1-5 years); if older, it's not great but it is something
- Do that calculation across as many categories as you can across multiple contracts from that company's division – the more consistent the results are, the more accurate is your wrap rate; salaries got to be the right ones
- Second way to do it is great but hard to find: using Wage Determination categories
- If you know the bill rate, you don't need the salary; you can pull the current WD from SAM.gov
- Can buy wrap rates from companies that sell them for valuable bids for the right cage code in the company; do a "selfie" to check how good they are
- When a company is a sub – it may not be their true rates – higher or lower due to target rates imposed – it is a tougher rate analysis on subs than it is on primes

6. Perform Competitors' Wrap Rate Analysis: Wrap Rate Derivation Process

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1. Gather competitors' award history for similar contracts (especially for the prescribed Level of Effort (LOE) contracts that offers more insight into the labor rate variables, as the government also often fixes equipment and material costs in the LOE RFPs).

2. Obtain copies of contracts available in paid databases, and if the process is started early, file a FOIA request (if "FOIAing," weigh the pros and cons requesting the proposal in addition to contract as proposals take longer to obtain).

3. Reverse-engineer labor costs from past contracts. Base your estimates on past contract's dictated LOE, industry standards, historical data, and a thorough understanding of the contract requirements.

- Use labor rate analysis from previous steps to determine direct labor cost
- Derive an average wrap rate for the contract (the total labor cost: the difference between total award $ and ODCs), and divide by direct labor

4. Gather financial data about competitors, such as publicly available financial statements, annual reports, 10K Reports, or Securities and Exchange Commission (SEC) filings. This information can provide insight into their direct costs, indirect costs, and fee structures.

5. To tease out the wrap rate details, determine indirect costs that include overhead, G&A, and fringe benefits. Analyze your competitors' financial data, Glassdoor intelligence, HR interview intelligence, and other sources to estimate indirect cost rates. As placeholders for the unknowns and/or to validate information, use industry benchmarks applicable to the contract, SMEs, teaming partners, or your own company's data as references.

6. Assess the types of fees competitors are likely to charge, such as fixed fees, cost-plus fees, or incentive fees. Review past contracts, financial data, industry trends, and government customer buying trends to estimate their fee percentages.

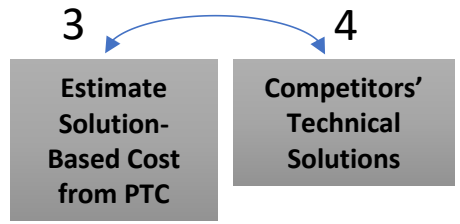
7. Calculate competitor wrap rates using findings from steps 1-6 above. Wrap rates are the sum of direct costs, indirect costs, and fees, expressed as a percentage of the direct costs. For each competitor, divide the sum of their direct costs, indirect costs, and fees by their direct costs to calculate their wrap rate.

6. Perform Competitors' Wrap Rate Analysis: Tips

- The more data points, such as the actual salaries of incumbent personnel, the more accurate is your wrap rate analysis
- Know to be skeptical about incumbent salaries as the staff may have been hired many years ago in a booming market or hired in recession and depression – so they may be overpaid or underpaid
  - Adjust incumbent rates for current market with technical SME's input
  - HR and especially personnel on the ground may be a good source of incumbent salary data
- Pay attention as HR personnel can get too rigid sometimes about matching labor categories exactly and may not be as creative
- For Service Contract Act Labor Categories (non-exempt staff), use DOL Wage Determinations on Sam.gov or DOL Wage Determinations listing
- For Labor Union work, use the Collective Bargaining Agreement (CBA) rates
  - Those rates are always provided by the RFP – they are contract-specific; if they are not provided, request them from the government
  - You may renegotiate Labor Union agreement and rates and adjust the price after award
- Use the market rate in the most appropriate percentile for every labor category; you may not have all the labor categories or have an exact match – but it is good for comparison
- Look up information on Glassdoor – sometimes people post salary and benefits information

Additional Tips Regarding Wrap Rates

- Consider the calendar year for the salaries you look up; make adjustments as the salaries have been escalating every year and there are inflation/job market factors to consider
- You may have to consider work allocation in the team as a whole and not just the prime contractor for your PTW – as the contractor may offload some work to lower-rate subs (Your Black Hat findings are important)
- Learning the composition of a competitor's wrap rate matters
  - A company with a lower G&A rate will be taken more seriously than a company with higher G&A but lower overhead rate
  - Contracting officers don't take G&A rates over 13% very seriously and may ding the company during analysis even if overall wrap rates are the same
  - This is a ghosting opportunity for you
- Indirect rates vary by industry
  - Examples: Professional, Scientific & Technical (541 NAICS) is 2.4 typical contractor-site multiplier; Administrative and Support (561 NAICS) is 1.8 contractor-site typical multiplier
- Deriving wrap rates for an Engineering company, for example, is not straight-forward: Research & Development (R&D) wrap rates are typically higher, services wrap rates are lower – need to be able to tease out the rates into different cost pools (R&D will have a higher overhead)
- Manufacturing wrap rates are toughest to determine (have additional labor costs built in when you are delivering systems)
- U.S. Census bureau calculates every 5 years industry data useful for deriving a wrap rate for different NAICS codes – use the first three digits of the NAICS code; can find some manufacturing information there; government uses that for fair and reasonable pricing determination. Done in 2017, 2022, then 2027: https://data.census.gov/cedsci/
- Services pools are often done at a government location
- Typical formula used by the government to check reasonableness of wrap rate reduction from contractor site to government site wrap rate:
  - ((multiplier-1)*.67)+1= x
  - Example: ((2.4-1)*.67)+1=1.9



SCA and CBA Wrap Rates

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SCA Wrap Rates

- Understand the SCA's key provisions and requirements, such as prevailing wage determinations, H&W benefits, and paid leave (see SCA DOL Fact Sheet on SCA and the full text for SCA in Title 41 of the U.S. Code, Sections 6701-6707)
- Read location-specific Wage Determination (WD) for the conditions for the geographic location of place of performance (POP)
- The wrap rate may be higher for some low-wage positions than the exempt personnel: someone paid $17/hour with SCA-dictated heath and welfare (H&W) may have a higher effective wrap rate than an exempt employee paid the same wage
- Obtain the appropriate WD for the contract by visiting the Wage Determinations page on sam.gov and searching for the applicable WD using the contract's geographic location of POP and occupation
- Carefully review the labor categories specified in the WD and ensure they align with the labor categories included in the contract
- Examine the H&W benefits required by the SCA and incorporate them into wrap rate calculations; these may vary depending on the specific WD and geographic location
- Account for the required paid leave and holiday provisions outlined in the SCA, as these can impact the wrap rate
- In addition to the SCA-mandated H&W benefits, consider any other fringe benefits provided by the competitor that may impact the wrap rate
- Factor in overtime and shift differentials: Account for any overtime pay rates and shift differentials that may be applicable under the SCA

CBA Wrap Rates

- CBA wrap rate could be drastically different than cost bands for exempt employees' wrap rates (typically higher)
- Thoroughly analyze the CBA to understand its structure, including the various labor categories, wage scales, and any specific provisions that can affect the wrap rate
- Consider all the conditions in the CBA: ex: workweek, shift differentials, fringe benefits such as health insurance, retirement plans, paid leave, and other employee benefits
- Account for overtime pay rates, as well as any rules or conditions governing the payment of overtime as specified in the CBA
- Factor in any predetermined escalation rates or cost-of-living adjustments (COLAs) that are outlined in the CBA, as these can impact labor costs over the life of the contract
- Account for potential productivity loss due to work stoppages, strikes, or other labor-related disputes that may occur under the CBA
- Examine historical wrap rates and trends for similar CBAs to gain insight into industry practices and potential cost drivers

How Do Specialty Firms Determine Competitor Wrap Rates?

- PTW companies that specialize in deriving detailed wrap rates (with breakouts of fringe, OH, G&A, and fee) normally never do technical and cost proposals (they don't want to see companies' proprietary information)
- They develop and perfect over the years models and algorithms (and libraries) that get populated with available bits of information about the company, and use industry-specific plug numbers for unavailable pieces
  - For publicly owned companies, they can access tremendous amount of detail for the specific division/facility (401K matching percentage, benefits offered, headcount from projects, layers of leadership, FOIA, etc.)
  - For privately owned companies, they still collect bits of publicly available data although it's harder, and combine it with statistics on similar size and type companies
- To verify how accurate a company may be in calculations of wrap rates, always ask them to calculate your company's wrap rate first (a "selfie")
- Always inquire about how ethical is the company – you can still get in trouble if you purchase information that was obtained unethically (want them to be compliant with the Society of Competitive Intelligence Professionals (SCIP))

Examples of Outputs of a Labor and Wrap Rate Analysis (Depending on What Data is Available)

Contract Labor Cats and Loaded Rates			Salary Adjusted for Calendar Year		Salaries from Competitor Verified Through Additional Sources, Including Job Boards						Wrap Rates	
Labor Category	Govt Site	Contr. Site	Base Salary	Escalated Salary	Competitor Job Description	10th%	25th%	50th%	75th%	90th%	Govt Site Wrap	Contr. Site Wrap
Program Manager	$166.36	$196.72	$180,794	$185,314	Program Directors 3A,B,C	$148,500	$154,900	$180,794	$180,794	$191,400	1.8673	2.1968
Project Manager	$110.66	$130.19	$119,790	$122,786	Program Manager Technical 3	$102,800	$111,218	$119,759	$130,070	$136,000	1.8746	2.2064
Senior Subject Matter Expert	$163.35	$195.72	$180,794	$185,314	Program Directors 3A,B,C	$148,500	$154,900	$180,794	$180,794	$191,400	1.8673	2.1968

Median and average wrap rates for government and contractor sites

Wrap (X Market)	Govt Site	Contr. Site
Median	x.xxx	x.xxx
Average	x.xxx	x.xxx

Always document key assumptions made, analytical process used

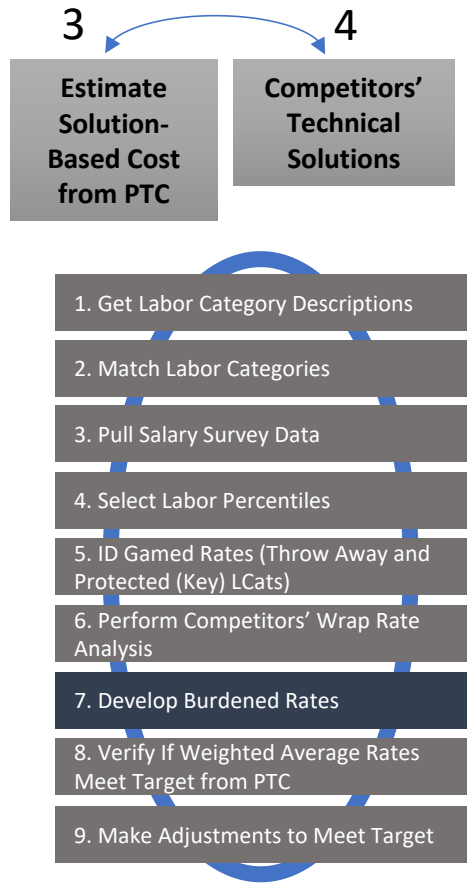
Company / Details	Finance Info				
Company A	Price:	$771,661,404	Avg Rate: $75.21	Labor:	$346,619,282
Fiscal Year: All Years	ODC's:	$425,032,122		Hours:	4,608,900
Site Type: Mix (See LOE)					
Company B	Price:	$779,983,703	Avg Rate: $77.01	Labor:	$354,951,581
Fiscal Year: All Years	ODC's:	$425,032,122		Hours:	4,608,900
Site Type: Mix (See LOE)					
Company C	Price:	$775,567,203	Avg Rate: $76.06	Labor:	$350,535,081
Fiscal Year: All Years	ODC's:	$425,032,122		Hours:	4,608,900
Site Type: Mix (See LOE)					

Rates as of xxxx , San Diego, CA

	Base Annual Compensation							Projected Bid Rate	
Title	10th%	25th%	50th%	75th%	90th%	Selection	Direct Hourly Cost	Contractor (Plant) Site	Government Site
Administrative Assistant I	31,000	34,800	39,000	44,000	48,500	50%	$ 23.17	$ 45.18	$ 48.66
Administrative Assistant II	35,900	40,200	45,000	50,300	55,100	50%	$ 23.49	$ 45.80	$ 49.32
Administrative Assistant IV	48,000	54,500	61,700	69,600	76,700	50%	$ 29.66	$ 57.84	$ 62.29
Application Systems Architect	80,700	88,500	97,100	106,000	114,100	50%	$ 46.68	$ 91.03	$ 98.03
Applications Systems Analyst I	47,900	53,300	59,200	66,500	73,100	50%	$ 28.46	$ 55.50	$ 59.77
Applications Systems Analyst II	57,500	64,500	72,200	80,600	88,200	50%	$ 34.71	$ 67.69	$ 72.89
Applications Systems Analyst III	74,500	82,800	92,000	101,500	110,200	50%	$ 44.23	$ 86.25	$ 92.88
Applications Systems Analyst IV	89,400	97,800	107,100	117,100	126,100	50%	$ 51.49	$ 100.41	$ 108.13
Applications Systems Analyst V	98,800	108,600	119,300	130,700	141,000	50%	$ 57.36	$ 111.84	$ 120.45

7. Develop Burdened Rates

- For Exempt positions: Multiply direct labor rates by the Exempt wrap rate to account for overhead, general and administrative (G&A) costs, and profit/fee.
- For SCA positions: Multiply direct labor rates from the location-specific WD by the SCA wrap rates from the WD, considering factors such as health and welfare benefits, paid leave, and other SCA-mandated requirements.
- For CBA positions: Multiply direct labor rates from the CBA by the CBA wrap rates, factoring in elements such as H&W workweek conditions, benefits, and shift differentials outlined in the CBA.

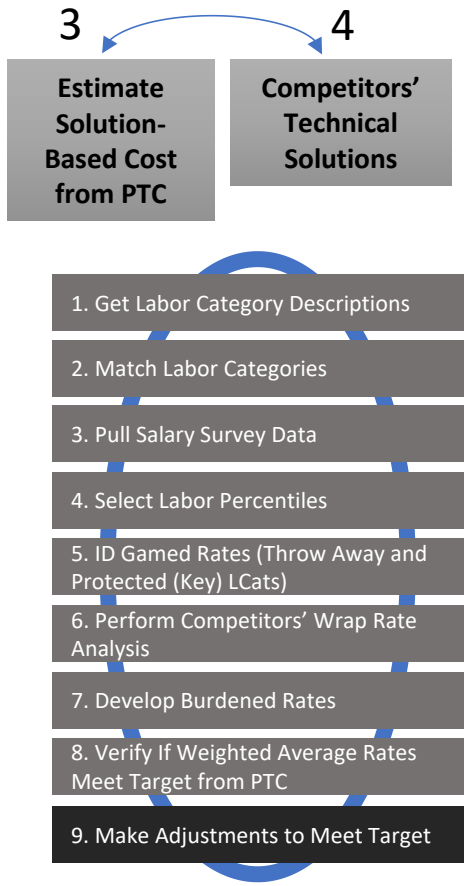


8. Verify If Weighted Average Rates Meet Target from PTC

- Multiply the burdened rates by the hours to get to the Total Evaluated Price (TEP)
- Can also derive the overall weighted average of fully burdened labor rate including fee ("sell rate" – what you sell to the government)
- Compare the sell rate to the reverse-engineered average burdened labor rates from the earlier exercise
  - Is there a delta?
  - If there is a delta, how can it be closed by pulling different pricing "levers"?

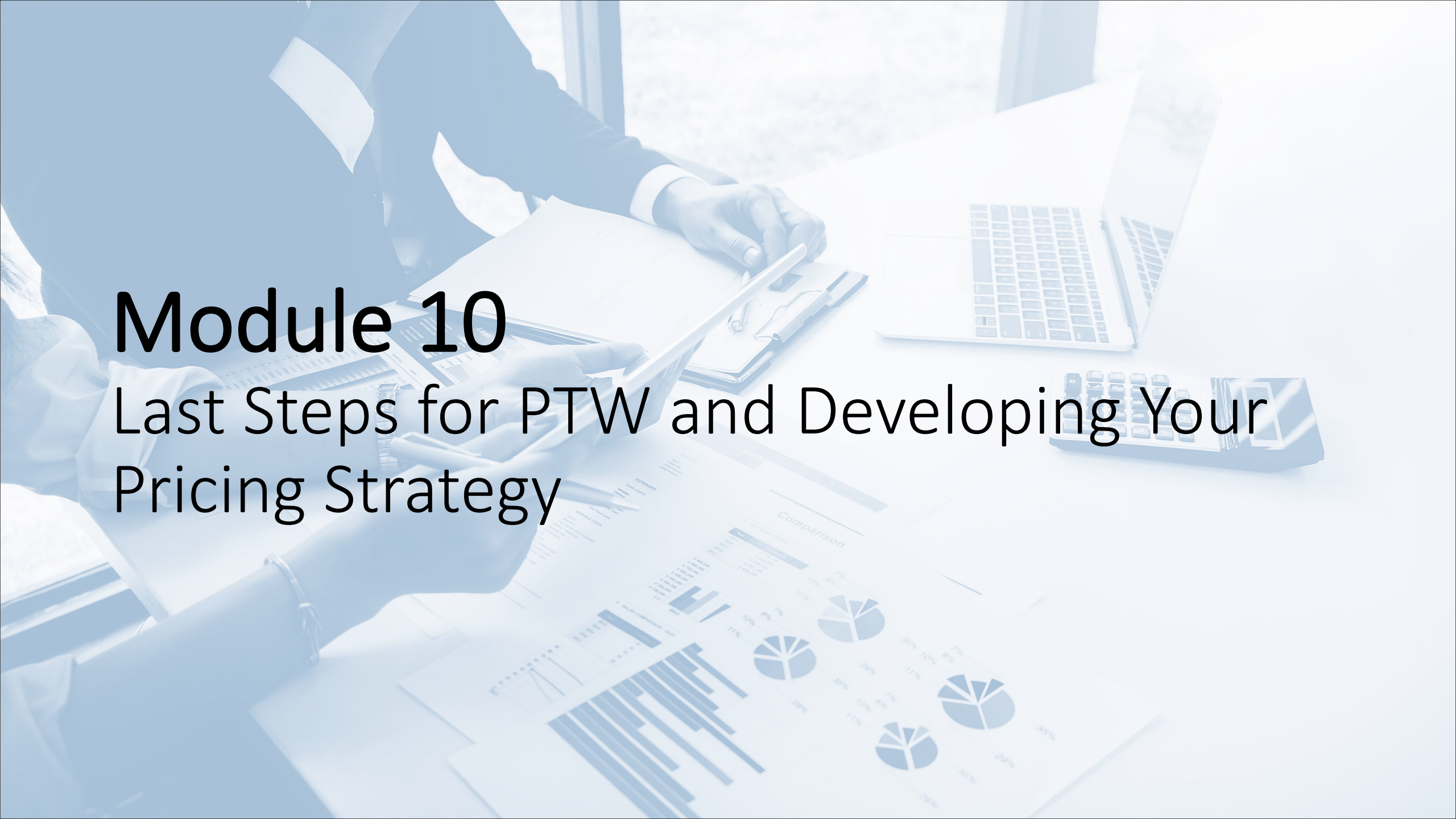
9. Make Adjustments to Meet Target

- Re-visit the BOE
  - For a solution type of bid, LOE and headcount usually are the largest price lever.
  - If the LOE is too conservative, this will lead the analyzed company to be priced out of the competitive range.
  - If the LOE is too low, it will cause technical deficiencies in evaluation.
- Check productive hours
  - Do productive hours meet all contract requirements (especially in the cases if there's significant CBA work)?
  - Is there any additional unproductivity need to be factored in (such as travel time, downtime, weather-related productivity reduction, etc.)?
- Look at labor penetration
  - Do you have sufficient differentiation between keys/non-keys, high/low skilled labor positions?
  - Have you modeled competitors to protect enough key positions, and get lower on any of the non-key and low skilled positions?
- Examine escalation:
  - Can competitors live with a lower escalation?
  - Can escalation be higher in the start of the contract but lower in the out years because escalation is compounded?
- Check fee levels (ex: for prime's work vs. for subcontractor's labor)
- Examine prime and subcontractor workshare mix: allocate more workshare to a cheaper subcontractor while meeting small business goals



Exercise 6: Perform Labor Category Matching for Labor Rate Analysis

- In groups, research the available data
- Find the equivalent labor rates using Internet (free sources)
- Identify the limitations of publicly available information that would require you to reach out to SMEs and FOIA
- **Desired Outcome:** Understand the process steps and complexities involved in the labor category matching



Module 10

Last Steps for PTW and Developing Your Pricing Strategy

Develop Competitors' Technical Solutions

- **Collaborate with estimators and technical SMEs:** Engage with subject matter experts (SMEs) and estimators early in the process to develop an initial Basis of Estimate (BOE) that reflects a comprehensive understanding of the technical requirements and workload.
- **Develop multiple BOE scenarios:** Create at least two additional BOE scenarios, one more aggressive (lower cost/riskier) and another less aggressive (higher cost/conservative), to represent potential competitor approaches. This comparison allows you to analyze different cost and risk trade-offs.
- **Ensure minimal compliance:** Confirm that all three BOE scenarios are minimally compliant, meaning they can sufficiently handle the workload specified in the RFP without exceeding the required scope.
- **Identify cost elements:** Determine the "fixed" cost elements, which are prescribed (dictated) by the government, and the competitor-dependent cost elements, which vary based on each competitor's technical approach and cost structure.
- **Analyze hours ranges:** Examine the range of labor hours required for various tasks, considering both conservative and risky estimates. For example, a specific task may take 2 hours (risky) or 5 hours (conservative), or anywhere in between. Understanding these ranges can help you identify potential areas of differentiation between your solution and competitors' solutions.
- **Evaluate technical trade-offs:** Assess the potential impact of different technical approaches on cost, risk, and performance. This evaluation can help you identify areas where you might gain a competitive advantage or areas where you need to address potential weaknesses.
- **Continuously refine and update:** Regularly review and update your BOE scenarios and competitor technical solutions as new information becomes available or as the competitive landscape evolves. This ongoing refinement ensures that your PTW analysis remains accurate and up-to-date.

4

Competitors' Technical Solutions

Finalize the PTW Target

- Revisit top-down estimation after the final RFP because of:
  - More data available in FPDS on burn rates and more recent contracts
  - Revised RFP scope, performance requirements, and evaluation criteria
  - Additional insights into the government's preferences, priorities, and expectations, to better align with their objectives
  - Additional intelligence on what moves competitors are making, what solutions they may use, and what types of employees they may capture for this contract (incumbents or new staff) may inform adjustments to bottom-up BOEs and PTW target
- Review and analyze updated data to identify trends, changes, or new insights that may impact your PTW target
- Update BOEs and fine-tune your estimates to reflect changes in cost, risk, and performance
- Reconcile top-down and bottom-up estimates: Compare your updated top-down target with your adjusted bottom-up BOEs, ensuring they are closely aligned; identify any discrepancies and refine your pricing strategy accordingly
- Analyze competitors' potential pricing approaches, considering their technical solutions, staffing plans, and recent contract awards; adjust your PTW target to reflect these insights and maintain a competitive edge

5

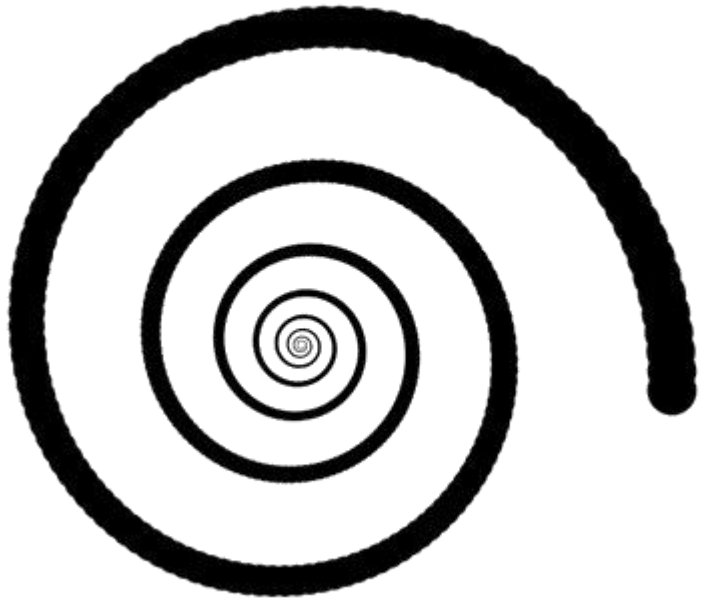
Finalize the PTW Target

Establish Proposal Price and Apply Strategies to Achieve It

- Based on the PTW exercise, establish proposal price target
- Apply strategies and pull all available price levers to achieve the price target
- Continuously update PTW model and predicted competitor behavior as each new discovery occurs
  - Proposals are a process of discovery – things change as the procurement proceeds – amendments, answers to questions, pursuit team revelations
  - Challenge other qualified, yet uninvolved experts within the organization or outside SMEs to create alternate PTW views of competitor behavior by employing the same baseline model
  - Never stop “what if” drills – consider Pwin and Margin of error implications of key management decisions prior to final proposal delivery such as fee position, investment and relative financial risk of overall offering

6
Home Team

Establish proposal price and apply strategies to achieve it



Create the Win

- As competitor models become complete, model ways that you can position to win
- Ghost competitor behavior that is of concern: if you expect lower than market wages, write in the price and management narratives about different bad things it may cause for the Government
- Make a list of things, however extreme, that would put you in a position to win, such as:
  - Start your due diligence early; try one year ahead on FOIA, CA, initial BOE, and PTW based on old or similar RFP, get most of the relevant information at your fingertips, this will help you to position yourself better to win when you meet with the customer and teammates
  - Change the makeup of your team – swap prime/sub
  - Create a mentor-protégé JV – grow work share of least expensive member
  - Bid projected rates based on winning the bid (but don't forget all the expenses associated with growth)
  - Change your Cost Accounting Standards (CAS) Disclosure statement, and bid a stand-alone cost center
  - Offer indirect rate ceilings
  - Bid other than Forward Pricing Rate Proposal (FPRP) (Forward pricing rate agreements (FPRAs) are negotiated by the government with contractors to set the pay standard for a variety of skill sets within a specified geographical region)
  - Create unique fee structure – lower your fee on select elements of the offering
  - Take risk on exempt wages
  - Offer a cheaper fringe benefit plan at the risk of upsetting the employees

6
Home Team

Establish proposal price and apply strategies to achieve it

Day 2 Recap

- What PTW sources are new to you?
- Explain how the solution and price are related?
- What is the difference between customer's overall budget, addressable budget, the price to compete, and solution-based PTW?
- What is the most reliable way to calculate a wrap rate?
- What is your biggest take-away from today and this class overall?

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