



Pointers

Presentation

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HOW TO DEAL WITH PRICE BIDDING

Selection of Low Price Proposal Indicates Failed Marketing Efforts

From Presentation Pointers Vol. 8, No. 4

Your client is asking for a bid for professional services. You submit a proposal with a price—a bid. Client selects the low bidder. Sounds familiar? Professional firms are increasingly finding themselves in this situation and trying to find ways to be the low bidder. But wait a moment. Step back and take a look at your business development program and approach. If a client selected strictly on low price it is because you did not help your client select you—regardless of your price! Most likely your business development methods and efforts are inadequate.

Clients' reactions to the typical proposals and presentations point to the problem: "They all look the same to me, therefore the one with the lowest price must be my best choice." From the client's perception, all the short listed firms have similar experiences. They have all done a number of similar projects. They all have experienced project managers. They all have an approach and an organization that looks identical. They are all positioned in the market with excellent image and reputation. What is missing, however, is a position in the client's mind as the preferred firm!

Business development has two components:

1. Macro marketing represents activities designed to position your firm in the market place. This is where most firms spend their time, energy and money.

2. Micro marketing, on the other hand, represents activities designed to position your firm in the minds of the decision makers and to learn what it takes to win.*

Winning presentations and proposals are the result of effective Micro marketing. The only way interests and needs can be learned is through face-to-face contact, a vital part of Micromarketing. Micro Marketing is contact with clients for the purpose of learning what is important to the decision makers. When this is done with sensitivity and genuine interest, it often leads to a position in the client's mind as the preferred firm. The preferred firm then becomes the one who meets the needs of the client. When needs are met, price often becomes less important. When needs are not addressed, then price becomes the only decision criteria criteria.

Price becomes a dominant decision criteria when presentations and proposals do not reflect the client's interests and needs. When you buy a car, do you buy the lowest price? Do you buy the lowest price house or golf clubs? No. Most of the time, you will assess your specific needs, goals and feelings and then decide in favor of the choice that best meet those. You are willing to pay more when you can see that the higher priced item fits your needs—both rational and emotional. We have all experienced the frustration of how to decide between two items which look the same but come with different price tags. When a smart sales clerk then takes the time to find out what it is that we are looking for, and s/he can help us justify the higher price item, more

often than not, price becomes less important because we can see the value of the higher price. So it is with your clients. They, too, have specific needs and goals. These can be divided into two categories: Institutional and Personal. Institutional needs are reflected by the job to be done, e.g. meet effluent standards, produce a product. All short listed firms are perceived as capable of achieving the institutional needs. Personal needs are of a different character. If you were the member of a selection board, would you recommend the "high bidder" if you could not defend your choice? No, your personal needs of looking good, or being perceived as cost conscious, or for wanting to avoid feeling being taken advantage of are much more important than sticking your neck out and voting for the high price proposal without being able to defend the reason for the high price. Low price seems a "safe choice." That's why it is often chosen. Your responsibility is to help your client see the value of your proposal, even when it is higher priced.

Your Micro marketing activities* must be designed to uncover the personal needs of each and every decision maker, up and down the organization. But remember, this is best done before the RFP is issued since access to the decision makers are usually greatly limited once the RFP is issued. Micro marketing is discovering the client's personal interests and needs so that they can be addressed in your presentations and proposals. This in turn will enhance the possibility of becoming established as the preferred firm, regardless of price.

* Macro Marketing represents activities and programs that position your firm in the marketplace. This includes advertising, brochures, direct mail, hiring, establishing offices, etc. Micro Marketing represents activities and programs that seek to position your firm in the mind of the individual decision makers. Face-to-face contacts are the most effective activities to accomplish this goal.

You're Qualified! You're Short listed! But your price is high! Now what?

From Presentation Pointers Vol. 6, No.1

Your clients have two basic approaches they can use to select you for a project. They can:

1. Base the decision purely on your qualifications to do the work, or
2. Base the decision on your price.

Any time price is brought into the picture, price is a selection criteria. Since many buyers of professional services do not understand what they are buying, price usually becomes the dominant, or the only, selection criteria. Price may be as innocent as a question during the interview about what you think it will cost. Or price may be requested in a full blown request for a proposal.

Your sales strategy must be dictated by your client's selection strategy. If your client is making a selection purely on the basis of qualifications, then your strategy must be to persuade them to the value of your qualifications and your approach. This does not mean that you present them with your corporate history. Your clients could care less. They want to know how your qualifications and your approach satisfies their institutional and personal needs.

But look out!

Your competition may not have the best of qualifications and can only hope to win by offering a low price. If so, they will introduce price into the process as a reason why that client should hire them. And clients can be swayed by the opportunity to "save" money and forgo qualifications requirements. Now, if price is a decision criteria, in part or in full, and you have decided to go after the project, then your sales strategy must be to persuade your client to the value of your price! This is true whether you are the high or the low "bidder." This means that any presentation or proposal that does not focus on proving the value of your price is a misguided effort.

Some clients will not listen to anything but low price. However, for those clients who will give you the opportunity to present your story, use one or a combination of the following approaches:

1. PRICE CREDIBILITY. Establishing the credibility of your (high) price is mandatory in order to help the client to select you. This involves educating the client to the scope of their project and show how your price derives from this scope and is required to carry out the project to their satisfaction. The goal is to persuade the client that you truly understand their project and their needs. You cannot accomplish this by sitting in your own office and guessing. You have to be on the client's site, talk to the various levels of decision makers, and see and hear for yourself what the issues are. Once you truly understand the job to be done, then you can develop a detailed set of work statements and use these as a basis for your price proposal. Then you present these details to your clients in a format that appeals to them. This will leave your client with the proof they need to justify hiring you with your (higher—or any)price.

2. REFRAMING. A person who decides on price is not looking at the total picture. You can easily pay for your fee by the savings you produce in construction or operations or maintenance or all three. Reframing is a process where education is again used to have the client see the value of your services in the context of the larger financial picture. Prove to your clients that you can save them money.

3. NEEDS MET. The firm who can demonstrate that they have met both their client's institutional and the personal needs will often find that higher prices win business. The institutional needs are generally easy to ascertain: meet a tight schedule and/or meet a tight total budget while accomplishing the technical job. However, it is generally difficult to stand out in the crowd of qualified firms based on meeting institutional needs. Satisfying personal needs offers stronger opportunities for differentiation. These needs relate to a decision makers' personal goals and concerns. Goals might include desire for control, recognition, peace-of-mind and no problems. Concerns might include no negative press, job security, no criticism, no loss of business, no accidents etc...

4. OPTIONS. You can place your price in context by presenting alternative approaches, each with its own price tag, advantages and disadvantages (risks, potential negative consequences, etc...) and in the process educate your client to the value of your price.

In summary, sell the value of your price by establishing credibility for your numbers, re-frame the price shopper to look at the bigger and more significant picture of life cycle costs, prove that you truly understand their needs (institutional and personal) and present the options your client is faced with.

Sell the Value of your Price and Survive in a Price Based Environment.

From Presentation Pointers Vol. 5, No. 2

The use of price as a selection criteria when hiring A/Es is on the increase to the point of running rampant. While American industry is moving away from price as a selection criteria, local, state and federal governments are increasingly requesting price quotations a.k.a. "bids." Price as a selection criteria takes many forms, from innocent questions during interviews to outright price bids. There are five dominant reasons for these requests:

1. Price is an easy differentiator for the uninformed. It shows ignorance of price vs value.
2. Misinformed lawyers and staffs say the law requires price based selection.
3. Price is used as a way to establish "that the design professional understands the scope."
4. The decision makers don't understand what they are buying and use price as differentiator.
5. We, the A/E's, are willingly complying with price requests.

Price based selection is an unfortunate reality for A/Es and clients. How do you deal with it?

You can:

1. Be the low bidder.
2. Not bid at all.
3. Educate the client to the value of Qualifications Based Selection (QBS.)
4. Focus your energies on selling the value of your price.

Being the low bidder contributes greatly to the decline of our profession and is rarely beneficial to the project owner. Not to bid is our right. Why work for a client who cannot distinguish between first cost and total value? Selling the value of your price is a highly productive

strategy because all parties win. Educate your client and s/he will make an informed decision in your favor—to their benefit! Use your interview presentation to educate your audience to the needs of the project. Then prove how your estimate represents the required level of effort to accomplish your clients' goal. To do this effectively requires that you understand what they want to accomplish in terms of project and individual personal needs. The material you present becomes the client's justification for selecting you. Remember, most of us have to justify our decisions to someone else. Does it work? You bet! Practitioners of the persuasive presentation process taught in my seminars have proven it. To wit:

- "We won, and our price was highest."
(A contractor)
- "We won, and our price was highest, by a factor of four."
(A consulting engineer)
- "We won, and our price was highest, twice their budget."
(A consulting engineer)

In order to sell the value of your price, you have to know what is important to the decision makers such as project problems, concerns, needs. Also know personal needs such as the need to be in control, to be respected, need to be seen as a success for job security. Once you understand these needs and concerns and you can prove that your work will meet these, you'll be selling the value of your price.

One firm received an RFP which stated that the firm which could supply the plans and specifications in less than 12 months would get up to 5 bonus points. The tendency would be to focus on winning the bonus points and come in with shortest schedule. Yet, the winning team came in with an 18 months schedule and a fee twice the budget! They had learned that the 12 months request was a symptom of a much greater problem. They set out to understand the problem, then showed how they could solve it and in doing so sold the value of their higher price and longer schedule. They gave the selection committee the justification needed to recommend them.