

# CHAPTER 3

## Developing Project Proposals



# Chapter Concepts

- Building relationships with customers and partners
- Proposal marketing strategies
- Decision making to develop a proposal/quotation
- Creating winning proposals
- The proposal preparation process
- Elements that may be included in a proposal/quotation
- Pricing considerations
- Customer evaluation of proposals/quotations
- Types of contracts between the customer and the contractor
- Measuring the success of proposal efforts

# Learning Outcomes



Develop relationships with customers and partners



Decide whether to prepare a proposal in response to a customer's RFP



Create a credible proposal



Determine a fair and reasonable price for a proposal



Discuss how customers evaluate proposals



Explain types of contracts and various terms and conditions



Measure the success of proposal efforts

# Building Relationships with Customers and Partners

- Foundation for successful funding and opportunities
- Requires good listening and constant learning
- Frequent and regular contact; express appreciation for the client's time
- Trust is key and ethics are imperative
- First impression is important
- Problem solving and credibility grows with good performance
- Partner with several key individuals in an organisation

# Pre-RFP/Proposal/Quotation or Tender Marketing

- Begin developing the relationship before RFP is prepared
  - Can help client identify needs
  - Better position to win the contract
  - Develop a more clearly focused response to RFP
- Pre-RFP and pre-proposal efforts are business development or marketing
  - No cost to the customer
  - Help build the relationship
- Unsolicited proposals and uncompetitive contracts
  - Result of identified needs and problem solving
  - Eliminates preparation of an RFP and soliciting process

# Decision to Develop a Proposal or Submit a Quotation

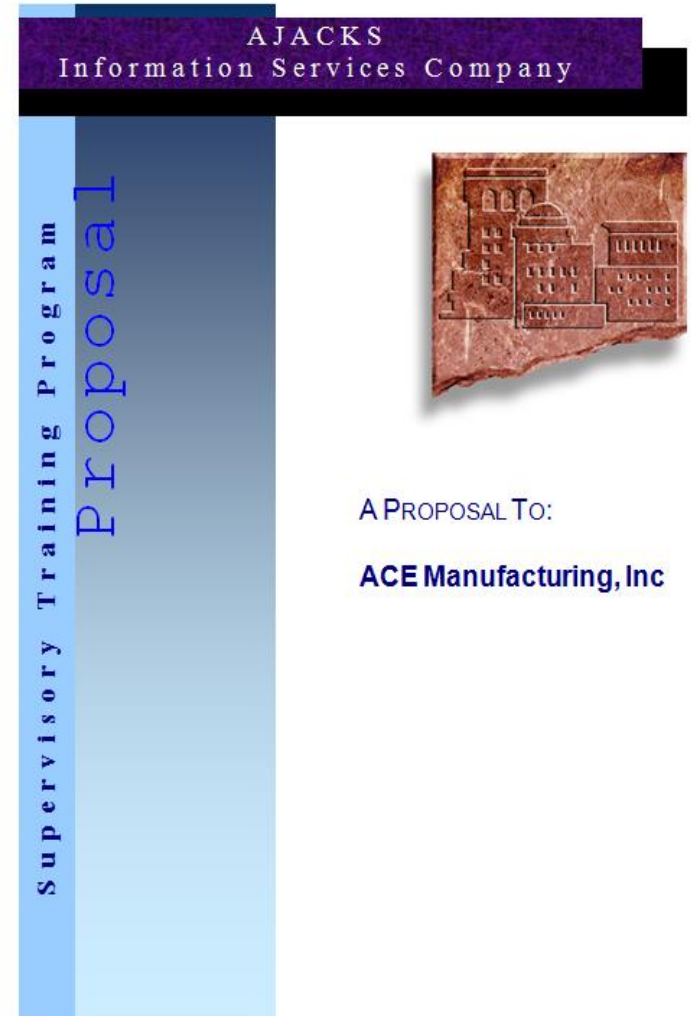
- Development is costly and time consuming
- Contractors must be realistic about their probability of winning a contract
- Evaluate bid/no-bid decision
- Many non-winning proposals hurt reputation
- May be hard to decide to no-bid an RFP

# Bid or no-bid?

- **Factors to consider**
  - Competition
  - Risk
  - Mission
  - Extension of capabilities
  - Reputation
  - Customer funds
  - Proposal resources
  - Project resources

# Creating a Winning Proposal/Tender

- Selling document
- The best idea to solve the problem
- Highlight unique factors
- Emphasise benefits to the customer
- Be simple and concise
- Addresses requirements from RFP
- Be realistic





# Proposal Preparation

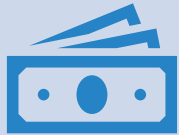
## Proposal team

- Can be one person or many
- Various skills and expertise
- Proposal manager for large proposals

## Proposal development

- Time for writing, review, and management approval
- Length dependent upon the RFP requirements
- Cost of proposal development is part of normal business costs

# Proposal Contents



Three sections

Technical  
Management  
Cost



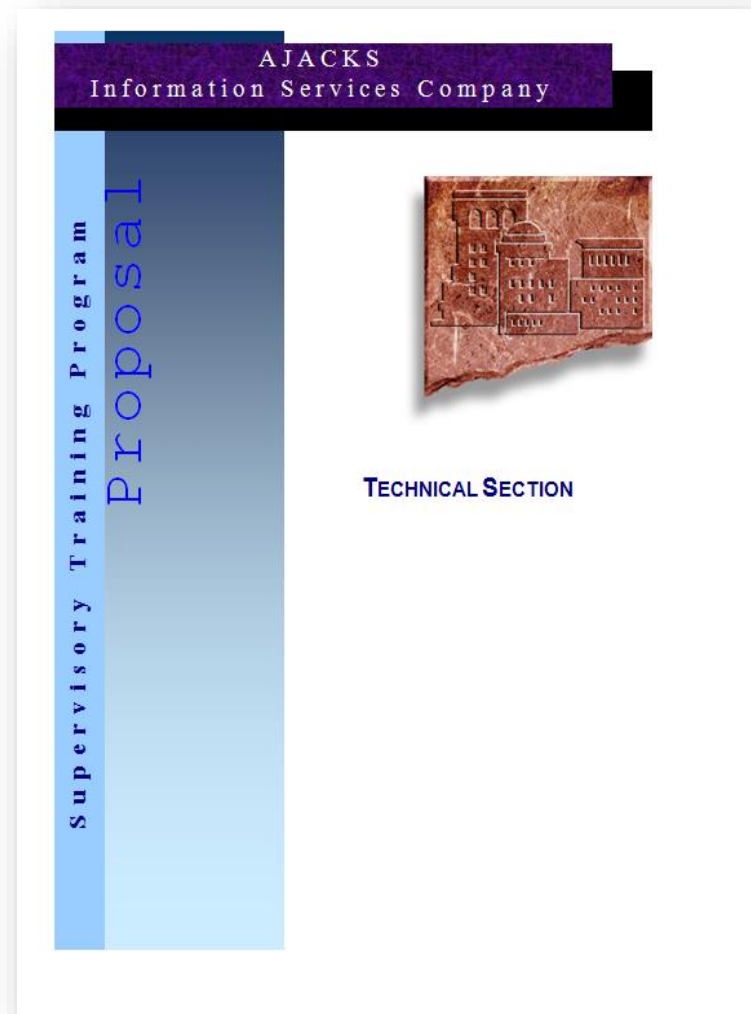
Detail level

Depends on  
complexity of the  
project

Requirements  
from the RFP

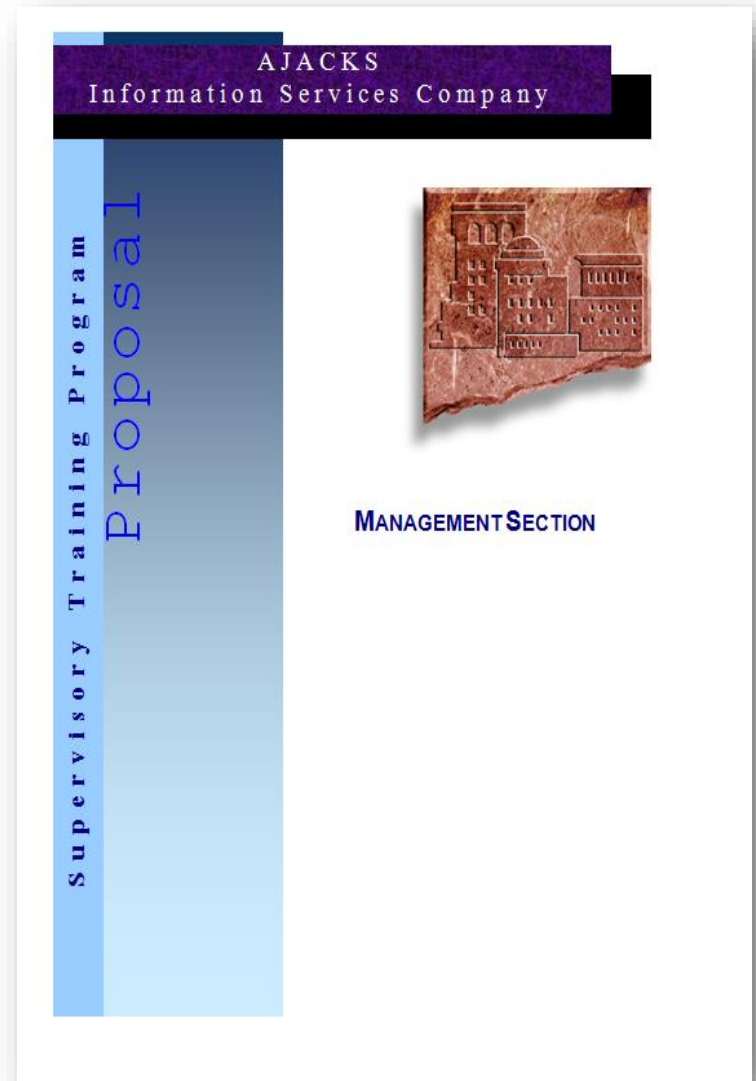
# Technical section

- Understand the need or problem of customer
- Proposed approach or solution
- Benefits to the customer



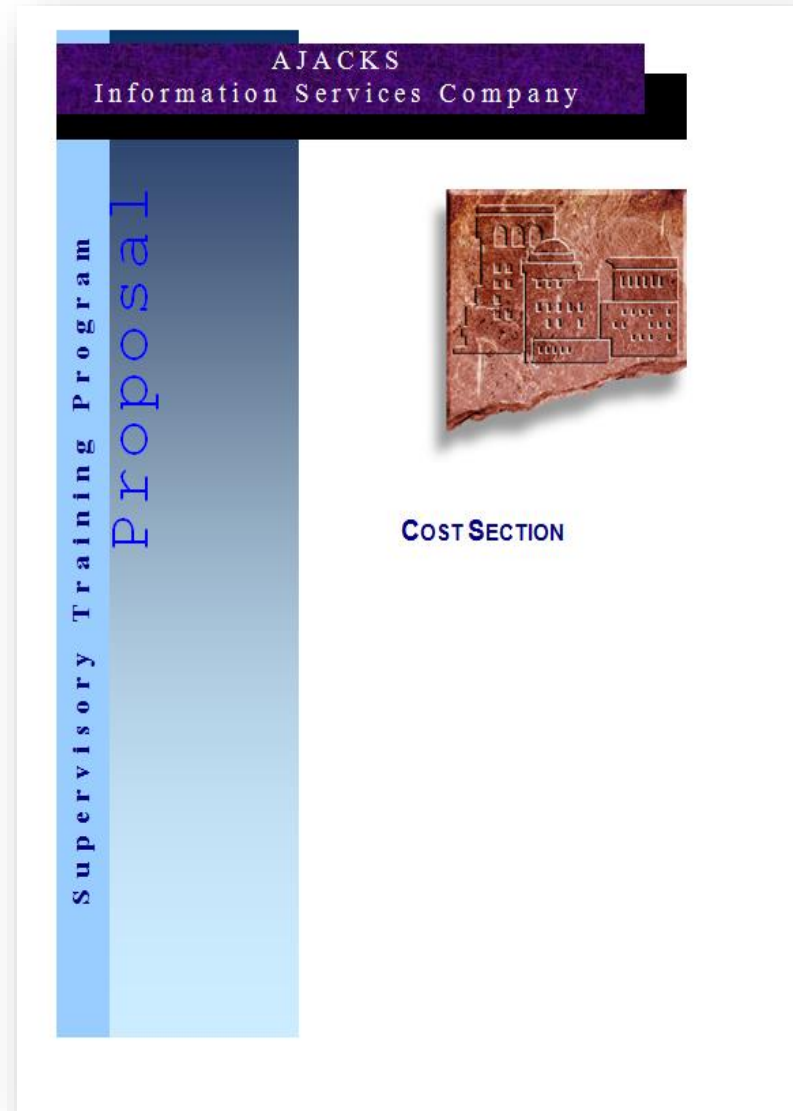
# Management section

- Description of major tasks
- Deliverables
- Project schedule
- Project organisation
- Related experience
- Equipment and facilities



# Cost section

- Include estimated costs
  - Labour
  - Materials
  - Equipment
  - Facilities
  - Subcontractors and consultants
  - Travel
  - Documentation
  - Overhead



# Pricing Considerations

- Competition
- Price
  - Not overpriced or underpriced
- Factors
  - Reliability of cost estimates
  - Risk
  - Value of project to the contractor
  - Customer's budget
  - Competition level

	1/8/12	1/15/12	1/22/12	1/29/12	2/5/12	2/12/12	2/19/12
Consumer Market Study							
Questionnaire							
Design							
Identify Target Consumers	\$780.00						
Develop Draft Questionnaire	\$520.00	\$1,300.00	\$780.00				
Pilot-Test Questionnaire			\$820.00	\$2,050.00	\$2,050.00	\$2,050.00	
Review Comments & Finalize Questionnaire							
Develop Software Test Data							
Responses							
Print Questionnaire							
Prepare Mailing Labels							
Mail Questionnaire & Get Responses							
Report							
Software							
Develop Data Analysis Software							
Test Software							
Report							
Input Response Data							
Analyze Results							
Prepare Report							
Total	\$1,300.00	\$1,300.00	\$1,600.00	\$2,050.00	\$2,050.00	\$2,050.00	

# Simplified Project Proposal

## Complex

- Large number of pages
- Defined sections
- Charts and figures
- Tables of information

## Simplified

- Statement of the customer's need
- Assumptions
- Project scope
- Deliverables
- Resources
- Schedule
- Price
- Risks
- Expected benefits

# Proposal Submission and Follow-up

## Submission

- On time
- Formatted properly
- Sent in manner required
  - Hard copies
  - E-mail
  - Electronic form
- Two sets by different delivery methods

## Follow-up

- Be proactive
- Professional manner
- Follow RFP guidelines



# Customer Evaluation of Proposals

- Customer sets criteria
- Customer may request a best and final offer (BAFO)
- Helps to have common comparison criteria

FIGURE 3.2 Proposal Evaluation Scorecard

Mitabyte Information Services Company Proposal Evaluation				
Project Title: <u>Technical Information Needs of Manufacturers</u>				
Contractor: <u>Galaxy Market Research Inc.</u>				
Score all criteria on a scale from 1 (low) to 10 (high)				
Evaluation Criteria	Weight A	Score B	Points A x B	Comments
1. Approach	30	4	120	Shallow description of methodology
2. Experience	30	3	90	Little experience with manufacturing companies
3. Price	30	9	270	Lowest price bid Supported by details
4. Schedule	10	5	50	Schedule is overly optimistic
Total	100		530	
Advantages of this proposal: <ul style="list-style-type: none"><li>• This is the lowest price proposal received. It appears the salaries of Galaxy's staff are low compared to those of other proposers.</li></ul>				
Concerns about this proposal: <ul style="list-style-type: none"><li>• Galaxy may not fully comprehend the requirements.</li><li>• Low salaries in its budget may reflect low levels of experience of the staff Galaxy plans to use.</li><li>• Optimistic schedule (3 months) to complete project may indicate Galaxy doesn't fully comprehend the work scope.</li></ul>				

# Contracts

## Agreement

- Contract must be signed before starting work
- Establishes communication
- Agreement of deliverables for a certain price

## Types

- **Fixed Price**
  - Price remains fixed
  - Low risk for customer
  - High risk for contractor
  - For well-defined projects with little risk
- **Cost-reimbursement**
  - Price for actual costs
  - High risk for customer
  - Low risk for contractor

# Contract terms and conditions

- Misrepresentation of costs
- Notice of cost overruns or schedule delays
- Approval of subcontractor
- Customer furnished equipment of information
- Patents - licence conferring a right or title for a set period
- Disclosure of proprietary information
- International considerations
- Termination
- Terms of payments
- Bonus/penalty payments
- Changes

# Measuring Proposal Success

## Measures

- Win ratio
  - Number won/number submitted
  - All proposals weighted equally
- Total Rand value
  - Value won/value submitted
  - More weight to larger values

## Strategies

- Submit many to win fair share
  - Increase chances of winning
  - May be viewed negatively
- Bid on potential successes
  - Respond where better than average chance to win
  - Must have bid/no-bid process

# Critical Success Factors

- Customers and partner organisations prefer to work with people they **know and trust**. Relationships establish the foundation for successful funding and contract opportunities.
- Establishing and **building trust is key** to developing effective and successful relationships with clients and partners.
- The **first impression** one makes on a client is pivotal to developing a continuing and fruitful relationship.
- **Pre-RFP/proposal efforts are crucial** to establishing the foundation for eventually winning a contract from the customer.
- Do not wait until formal RFP solicitations are announced by customers before starting to develop proposals. Rather, **develop relationships** with potential customers long before they prepare their RFPs.
- Working closely with a potential customer puts a contractor in a better position to be selected as the winning contractor. **Learn as much as possible** about the customer's needs, problems, and decision-making process during pre-RFP/proposal marketing.

# Critical Success Factors (continued)

- Becoming familiar with the customer's needs, requirements, and expectations will help in preparing a more **clearly focused proposal**.
- **Be realistic** about the ability to prepare a quality proposal and about the probability of winning the contract. It is not enough just to prepare a proposal; rather, the proposal must be of sufficient quality to have a chance of winning.
- A proposal is a **selling document**, not a technical report. It should be written in a simple, concise manner and should use terminology with which the customer is familiar.
- In a proposal, it is important to highlight the **unique factors** that differentiate it from competitors' proposals.
- Proposals must be realistic. Proposals that promise too much or are overly optimistic may be unbelievable to customers, and may raise doubt about whether the contractor understands **what needs to be done or how to do it**.
- When bidding on a fixed-price project, the contractor must develop **accurate** and complete cost estimates and include sufficient reserves.

# Summary

- Interested contractors develop proposals in response to a customer's RFP.
- Relationships establish the foundation for successful funding and contract opportunities. Relationship building requires being proactive and engaged.
- Contractors should develop relationships with potential customers long before customers prepare an RFP.
- Because the development and preparation of a proposal take time and money, contractors interested in submitting a proposal in response to an RFP must be realistic about the probability of being selected as the winning contractor.
- It is important to remember that the proposal process is competitive and that the proposal is a selling document that should be written in a simple, concise manner. In the proposal, the contractor must highlight the unique factors that differentiate it from competing contractors.
- Proposals are often organised into three sections: technical, management, and cost.
- Customers evaluate contractors' proposals in many different ways.
- Once the customer has selected the winning contractor, the contractor is informed that it is the winner, subject to successful negotiation of a contract: fixed-price and cost reimbursement are the two types of contracts.
- Contractors measure the success of their proposal efforts by the number of times their proposals are selected by customers and/or by the total Rand value of their proposals that are selected.