

CHAPTER 3

Developing Project Proposals

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Chapter Concepts

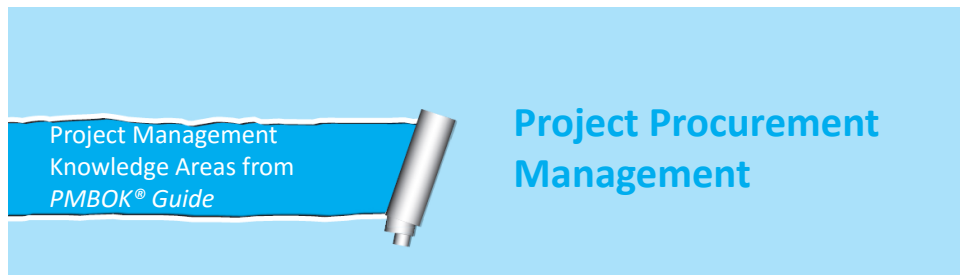
- Building relationships with customers and partners
- Proposal marketing strategies
- Decision making to develop a proposal
- Creating winning proposals
- The proposal preparation process
- Elements that may be included in a proposal
- Pricing considerations
- Customer evaluation of proposals
- Types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

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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

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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 organization

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Pre-RFP/Proposal 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
 - 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

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Decision to Develop a Proposal

- 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

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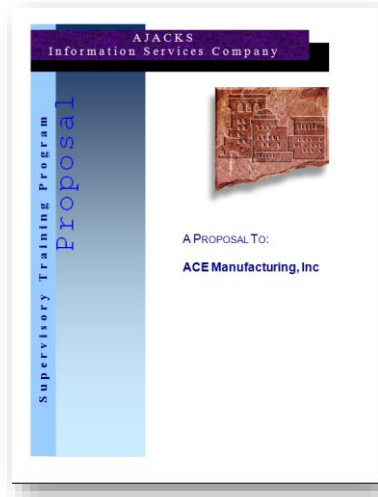
Bid or No-Bid?

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

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Creating a Winning Proposal

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



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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

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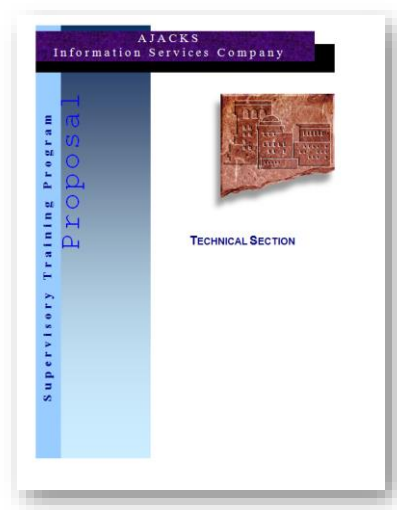
Proposal Contents

- Three sections
 - Technical
 - Management
 - Cost
- Detail level
 - Depends on complexity of the project
 - Requirements from the RFP

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Technical Section

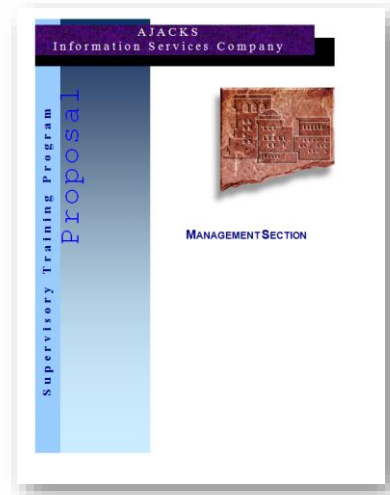
- Understand the need
- Proposed approach or solution
- Benefits to the customer



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Management Section

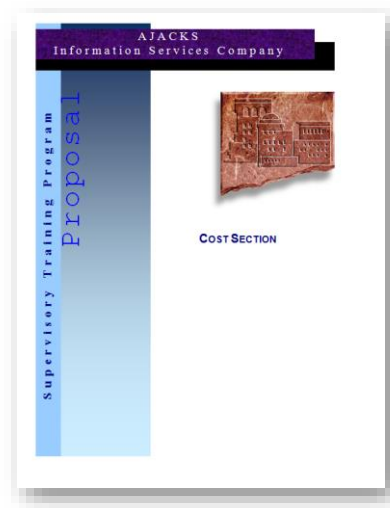
- Description of major tasks
- Deliverables
- Project schedule
- Project organization
- Related experience
- Equipment and facilities



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Cost Section

- Include estimated costs
 - Labor
 - Materials
 - Equipment
 - Facilities
 - Subcontractors and consultants
 - Travel
 - Documentation
 - Overhead
 - Escalation
 - Reserve
 - Fee or profit



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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

	1/1/15	1/1/16	1/1/17	1/1/18	1/1/19	1/1/20
Consumer Market Study						
Questionnaire						
Design						
Identify Target Consumers	\$750.00					
Develop Draft Questionnaire	\$200.00	\$1,500.00	\$750.00			
Print Test Questionnaire			\$500.00	\$2,000.00	\$2,000.00	\$2,000.00
Review Comments & Finalize Questionnaire						
Distribute Software Test Data						
Responses						
Print Questionnaire						
Response Tracking Launch						
Mail Questionnaire & Get Responses						
Report						
Software						
Developer Write Analysis Software						
Test Software						
Report						
Print Response Data						
Analyze Results						
Prepare Report						
Total	\$1,500.00	\$1,500.00	\$1,400.00	\$2,000.00	\$2,000.00	\$2,000.00

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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

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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

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Customer Evaluation of Proposals

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

FIGURE 2.3 Proposal Evaluation Scenario

AJACKS Information Services Company Proposal Evaluation				
Project Title: Technical Information Needs of Manufacturers				
Contractor: Galaxy Market Research Inc.				
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 firms
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"> This is the lowest price proposal received. It appears the salaries of Galaxy's staff are low compared to those of other proposers. 				
Concerns about this proposal:				
<ul style="list-style-type: none"> Galaxy may not fully comprehend the requirements. Low salaries in its budget may reflect low levels of experience of the staff Galaxy plans to use. Optimistic schedule (3 months) to complete project may indicate Galaxy doesn't fully comprehend the work scope. 				

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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
 - For higher risk projects

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Contract Terms and Conditions

- Misrepresentation of costs
- Notice of cost overruns or schedule delays
- Approval of subcontractor
- Customer furnished equipment of information
- Patents
- Disclosure of proprietary information
- International considerations
- Termination
- Terms of payments
- Bonus/penalty payments
- Changes

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Measuring Proposal Success

Measures

- Win ratio
 - Number won/number submitted
 - All proposals weighted equally
- Total dollar 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

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Critical Success Factors

- Customers and partner organizations 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.

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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.

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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 organized 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 dollar value of their proposals that are selected.

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