

Detail is King!

The Comprehensive Competitive Data Base

by Jerry Buonanno & Roger Dean

Creating a meaningful competitive data base and then using it so that it actually contributes to the proposal effort is not easy. It takes a recognition that such information will be helpful, an understanding of what types of information you should obtain, and the will to collect and analyze the information. The first step—accepting that good competitive data are important—is easy. Most successful managers in competitive marketplaces intuitively know the value of competitive data. It is the remaining two parts of the equation that are the hard part, mostly because of three “facts” faced by just about every proposal manager:

- I know all the important stuff already.
- I know what is really important.
- The whole team knows all this too.

The problems with these arguments are sometimes hard to accept: 1) Program name, contracting officer, user, and big name competitors don’t begin to encompass all there is to know! 2) “Specifics” fade into bland generalities when the time comes to write them down, and “information” by itself doesn’t constitute “knowledge,” 3) Common knowledge is usually neither “common” nor “knowledge.”

Many proposal professionals agree that there are four distinct categories of competitive data that are important: customer, program, competitors, and self. Just about every competitive question you can imagine can be grouped under these headings. But the question remains as to just how much detail you actually need for a good competitive data base. Creativity Consultant Roger von Oech answered this in part when he wrote in his book, *A Whack on the Side of the Head*, “The answers you get depend on the questions you ask.” While that sounds so obvious, its application, especially when it comes to gathering competitive data, may not be.

Winning proposals only have to be “good enough” to win. But this means more than just having a good answer to all your customer’s needs; it means that you must be *better* than your competitors. But this, in turn, means that your proposals must be as good as they can be, since you usually cannot legally know what “good enough” really is. So what this principle means to the competitive data base is that you need all the competitive data you can afford to get! *Detail. Lots of detail.*

What kind of questions should you ask? A good example of the desired level of detail is illustrated by questions you should ask when trying to determine the “right” price for your offer—which (again) only has to be “right enough” in light of your competitors’ prices, your customer’s willingness and ability to pay, and your own company needs. Narrowing the example down further, perhaps the most important aspect of this decision process is understanding what your competitors might do. Here are just a few things you should try to find out about your competitors when trying to establish your price:

- Who is the competitor's chief executive and what is his or her style? This is important because it may give you an indication as to how aggressively they will pursue and price opportunities.
- How many years has the competitor been in business? If they are new they may pursue at any cost just to establish a foothold in the marketplace.

- How many employees does the competition have? What types of facilities do they have? This information may give you a hint about their overhead rate.
- Is their total employment stable or have they recently had a reduction or large increase in force? A recent reduction might mean they are having profit problems; an increase in staff may indicate recently improved business. Both could affect their pricing strategy. For example, a reduction in direct charging employees without significant reductions in fixed costs might mean higher overhead rates (same costs spread over smaller base) and therefore increased costs. Or, the reduced headcount could signal that they are “hungry” for new business and may be pricing very aggressively. A recent increase in employees to handle new business might be an indication that the company has a lot of business and may not price as aggressively.
- What are the competitor's annual sales? Are sales trending up or down? Both trends have significant pricing strategy implications. Downward trends might make management designate this proposal as a “must win” to stop the downwards spiral. With that knowledge, you can decide on how ambitious your profit objectives need to be. Upward trends tell you that the competition is continuing to obtain new business. You must ask yourself why. Is it superior products or services or do they maintain low margins to ensure continued work? Either scenario helps you decide a strategy: Superior products might require you to come up with a new technical strategy; low margins tells you to keep your pencil sharp and lower your price.
- Is the competitor profitable? How long have they been profitable?
- Is the company a small company with minimal overhead? If it is owned by one or two individuals instead of being a large corporation, the owners may be happy splitting a much smaller profit than a corporation would with its profit objectives and hurdle rates.
- Is the competitor financially sound? If not, perhaps they may have difficulty performing the proposed program, which might mean they will have an unrealistic cost and commensurate price.
- What is the competitor's market share? If they are the market leader, they may decide to keep their margin and not be too concerned about the competition. If they elect to maintain their margin, you could have an opportunity to bid with a low margin in hopes of stealing away business.
- What is the competitor's quality record? If it is poor, you might conclude that they won't have adequate effort (and, thus, cost) in their proposal for testing and verification, which might, in turn, allow them to bid a lower cost than you.
- What is the competitor's delivery record? If it is poor, then your customer might accept a somewhat higher price from you to obtain timely deliveries of quality products.
- Has the company made a recent acquisition that might affect its pricing structure? If so, what and how? Or has the competitor recently been acquired by a larger company and thus changing its flexibility due to big company bureaucracy.
- Is the competition able to perform the program? If they cannot, they may not be a viable alternative at any price. Your obligation then becomes to justify in your basis of estimates why your combination of technical, management and cost/price solutions is the right approach.

- What percent of full capacity is the competition's factory? If their shop is half-empty, they may want to fill it and price using a "keep-the-lights-on" strategy, which suggests a bare-bones program with a low (and maybe unrealistic) price.
- Does the competition have direct experience making the products in question? If not, you may find you have to compete against an attractive, but completely unrealistic, price. This, in turn places great emphasis on your justification of cost realism for your price.
- Is this a do-or-die win for the competition? If it is, this will directly affect pricing by encouraging them to take the job at a break-even price.
- Have they beaten you on price before? If they underbid you once, chances are they will do it again. If you can, get a copy of the previous contract and study it to determine how they beat you.
- What is the competitor's pricing history, not only in the marketplace of the current competition, but in general? This is, perhaps, the most important of these detailed questions because its answer will guide you in deciding how to interpret the rest of the data you collect for the competition at hand.

The foregoing questions are by no means comprehensive, even for the relatively narrow area of price determination. They aren't meant to be. What they are is food for thought to make you consider the extent and type of detail you should ask in each of the four areas that comprise the entire competitive data landscape: customer, program, competitor, and self. You must collect whatever data you can, analyze it, and then make informed judgments on what it all might mean to your proposal, based on your own skills, capabilities, and experience. There is no "silver bullet" to guarantee that you will always get the right answer, but it is only by focusing on the details that can you hope to learn enough to determine the big picture of what it takes to win.

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