

A Buyer's Guide to Pricing Strategies: Tips for Getting the Best Deal

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LORMAN®

Published on www.lorman.com - September 2019

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RFP Top Tips

EXPENSIVE SENTENCES

These tactics reflect experience with dozens of **Request for Proposal** documents, primarily for multi-component solution sales. Every project is unique, and not every tip is appropriate for every RFP. To discuss, contact Jack Quarles (Jack@BuyingExcellence.com)

PREPARATION 1. Define Success for the project – be as specific as possible

- Before you write the RFP**
2. Create a **Cost Model** with internal and vendor costs
 3. Know the marketplace solutions (issue RFI if needed)
 4. With key users, build list of “**Need to Have**” functionality and “Nice to Have” attributes
 5. Consider alternative delivery methods, new technologies, industry trends
 6. Find at least Four Vendors to include in RFP
 7. Schedule Realistically, and include time for Multiple Rounds of Negotiation
 8. Use Excel for **RFP** and require vendors to reply in same (easier to compare)

Preparation

Process

REQUIREMENTS

- What to Share**
10. Briefly explain your organization, your plans for growth, and your culture
 11. Identify the results you are looking for; why you are issuing the RFP and including the vendor
 12. Provide volume estimates for several years forward to imply the size of the opportunity
 13. Do **NOT** provide budget information or historic spending information
 14. Do NOT provide names of incumbent vendors, or other vendor candidates
 15. Do **NOT** commit to a timeline, or announce the opportunity to improve pricing
 16. State that you reserve the right to award business at any time without notification
 17. Provide a deadline for vendors to submit any questions about RFP in writing
 18. Compile all **Vendor Questions and Answers**, remove vendor names, and return to all vendors

SOLUTION

- What to Ask to Find the Best Fit**
19. Ask for Background on their company history, ownership, and strengths
 20. Request Market share and number of clients in relevant area
 21. Request Financial information from several years, including revenue and profit
 22. Ask vendor to provide a description of their best customers
 23. Ask for names of their strongest competitors, and how their solution compares
 24. Ask for a general overview of how they would help you get the results you want
 25. Ask for specific descriptions of how they meet each of the “Need to Have” requirements
 26. Ask a few relevant open ended questions: “If you ran our company, how would you change the process of...” or, “if we were starting from scratch, what would be the first steps...”

PRICING

- Position to get the Best Price**
27. Request implementation timeline, and resources required by vendor / client
 28. Ask whether they reimburse implementation costs
 29. Ask if they provide a signing bonus
 30. Request a pro forma of three years expenses with the recommended solution
 31. Request a representative invoice reflecting all taxes, fees, additional items
 32. Request a representative contract with pricing & services schedule, legal terms
 33. Request initial offered Service Levels and Remedies (if applicable)
 34. Put **Pricing Table** in RFP, including all known cost components
 35. Instruct vendor to complete pricing table and identify any additional costs
 36. Request pricing in different scenarios, including partial-solutions
 37. Ask for pricing for one year and for multiple years (with discount)

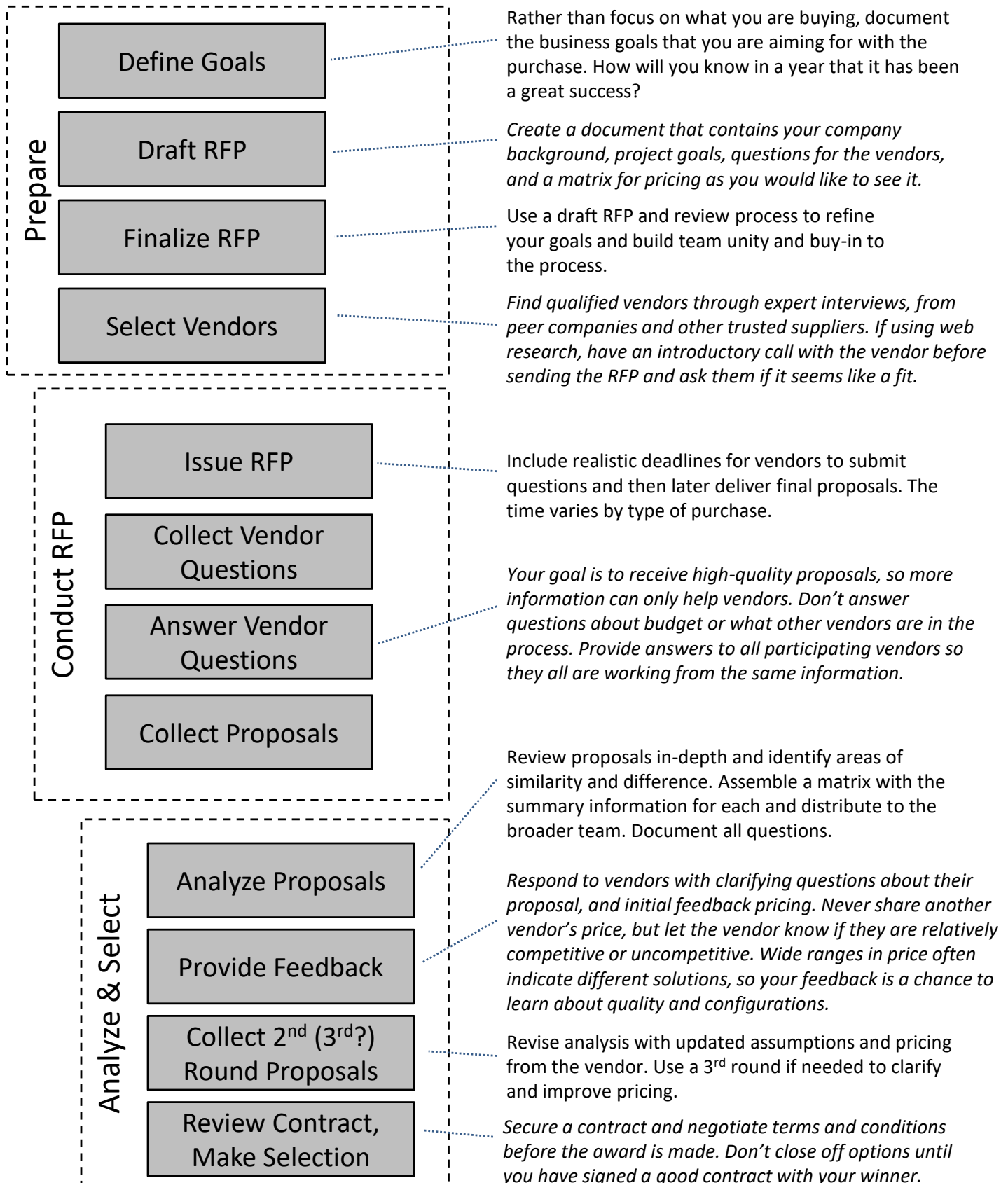
GOAL
Best Vendor
Competitive Pricing
Long-term
Relationship

NEXT STEPS

- After you receive Responses**
38. Update your cost model structure after seeing proposals, make version for each vendor
 39. Identify key cost drivers for each vendor
 40. Where pricing varies, understand why
 41. Answer all product and structure questions in a call with each vendor (do NOT discuss pricing at this call)
 42. Assemble written **Pricing Feedback** for each vendor with relative position on each pricing component
 43. Do NOT share any vendor’s pricing with another vendor, but convey their competitive standing
 44. Take two vendors to **Contract** preparation and initial legal review to ensure that terms comport
 45. Don’t “award the business” until the contract is signed

Phases and Steps to Conducting a Request for Proposal

This page is a general guide to assembling and conducting an RFP. For more information contact Jack@JackQuarles.com.



REQUEST FOR QUOTE

March 22, 2010

Submitted to: **Advertising Company X**
John Baker, Advertising Sales Mgr
name@email.com

RFQ Contact: Jack Quarles
703.944.9676
Jack@3QStrategies.com

Instructions & Deadline

Please complete the pricing section below and return no later than 5:00 PM Eastern time **Thursday, March 25nd**.

Company Background

In its first six months of operation, WEB RETAILER is nearing monthly sales of \$100K and expecting continued high growth. Our vision is to become the go-to fundraising partner for organizations. We expect continued high growth.

Sourcing Project – Customer Acquisition

Our customer acquisition to this point has been primarily through web advertising. This has produced many leads and sales, but has not been cost effective. We are investing in other methods of lead generation and expect to use multiple channels in the future. Our overall marketing and advertising budget is projected to more than double over the next twelve months. Web impressions may be represent a smaller percentage or the dominant channel depending on the cost effectiveness.

Specifically, through this RFQ we are evaluating how consolidating our web advertising spend more heavily with one partner or committing to a longer period of advertising would impact pricing.

PRICING TABLE

Please enter your offered cost per thousand impressions in the table below. **Note that we may award business at any time without notification to all participants; we encourage you to submit your best pricing.**

Monthly Impressions (Avg)	3-month Agreement	6-month Agreement	9-month Agreement	12-month Agreement
1M-5M				
5M-10M				
10M-15M				
15M-20M				
20M-25M				

Note response to this RFQ does not imply any commitment to specific volume level or term.

Additional Questions Attach a separate document with the answers to these questions.

1. Does your company offer direct email marketing services? If so, please describe that solution and the associated pricing.
2. Please include a representative example of a current advertising agreement, and note any exceptions.

Signature Line

Title Signature _____ Date _____

END OF RFQ

Please read all instructions thoroughly.

- I GENERAL INFORMATION & INTRODUCTION
- II PROPOSAL RESPONSE GUIDELINES
- III GENERAL TERMS & CONDITIONS

Introduction

1.01	ExampleCo Background and Mission	ExampleCo is the country's leading provider of examples for commercial and training purposes. The company was founded in 1982 and has headquarters in Minneapolis, MN. ExampleCo is profitable and generated over \$230M in revenues in 2012. The primary business lines are consulting and manufacturing.
1.02	ExampleCo Customer Service	Customer Service has been a strategic priority for ExampleCo through its history. Over the last 10 years, ExampleCo has used different approaches. Most recently, ExampleCo has employed two firms regionally based on the East and West coasts, respectively.
1.03	Program Goals	ExampleCo sees Customer Service as a strategic foundation of its growth plans. Objectives for the program include: <ul style="list-style-type: none"> - Improved response time - Recognition from the industry as a leader in customer service - Reduction in complexity of issue-handling processes - Increased automation and software integration - Reduced labor costs resulting from advances ExampleCo is seeking to partner with a leader in this field who can help them meet the objectives above.

Proposal Response Guidelines

1.05	ExampleCo Designated Contacts	Any and all questions in regards to this RFP process should be emailed directly to the ExampleCo Designated Contact: Jack Quarles (consultant) jack@exampleco.com Telephone: 703-944-9676 Also, please cc: the following ExampleCo contact on all email correspondence: john.jones@exampleco.com Bidder shall not discuss this RFP with anyone at ExampleCo other than the Designated Contact without prior approval.
1.06	Supplier Single Point of Contact	ExampleCo requests that you designate a single point of contact for completing this RFP and future communication with ExampleCo. Please designate this contact and enter the contact's information in the "Company Info" tab.
1.07	RFP Milestones	11/10/2012 2:00 PM Eastern RFP Submitted to Vendors 11/14/2012 2:00 PM Eastern Email reply due to ExampleCo stating Vendor intent to participate 11/16/2012 2:00 PM Eastern All clarification questions due back from vendors to ExampleCo 11/21/2012 2:00 PM Eastern Written responses to all questions will be sent to all vendors 12/8/2012 2:00 PM Eastern RFP Responses due to ExampleCo from vendors in electronic format
1.08	RFP Deadline	The deadline for submitted responses to this RFP is 2:00 PM Eastern, December 8th.
1.09	RFP Submission	Electronic copies of the RFP must be submitted by the indicated deadline to the designated contacts at the e-mail addresses listed above. RFP submissions must follow the format in this document. Please include all requested documents and any additional materials you wish to include. Refer to bid instructions for additional detail on those items to be included in the submission. ExampleCo may request additional information from Bidder to support or clarify RFP responses.
1.10	Pricing	Pricing submitted will be considered the fixed valid pricing going forward. ExampleCo RESERVES THE RIGHT TO AWARD BUSINESS AT ANY TIME AFTER RESPONSES ARE SUBMITTED WITHOUT NOTIFICATION TO ALL PARTICIPATING VENDORS.
1.11	Other Information	ExampleCo may request additional information from bidder to support or clarify RFP responses.
1.12	Obligations	This RFP is not an offer to enter into an agreement with any supplier; it is a request to receive proposals from suppliers. ExampleCo reserves the right to reject all submitted responses to the RFP, in whole or in part, and/or enter into negotiations with any party to provide such services, whether or not a proposal has been submitted. ExampleCo will not have any obligation to a supplier unless and until it has entered into a written agreement with the supplier on terms and conditions satisfactory to ExampleCo. ExampleCo may award business, in whole or in part, at its sole discretion at any time.
1.13	Questions	Questions about this RFP may be submitted to the designated contact according to the schedule in section 1.06. Written responses will be provided to all questions.
1.14	Instructions for Bid Sheets	
1.15	Currency	All bids must be entered in US dollars (\$). Pricing submitted will be considered the valid pricing going forward and supersede existing pricing agreements.
1.16	Taxes	Bids should reflect base price, including all applicable federal, state, and local taxes and miscellaneous charges.
1.17	Notification	ExampleCo will notify bidders following completion of the evaluation process, as to whether or not bidders have been awarded the agreement. The only information regarding the status of the evaluation of proposals that will be provided to any inquiring bidder shall be whether or not the inquiring bidder has been awarded the agreement. ExampleCo may, at its discretion, inform any inquiring bidder of the reason(s) as to why it was not awarded the agreement.
1.18	Evaluation Criteria	ExampleCo reserves the right to reject any or all proposals in whole or in part, to take exception to parts of the proposals, and to request oral and/or written clarification of proposals. Vendors may be excluded from further consideration for failure to comply with the requirements of this RFP. Proposals will be evaluated by a team of ExampleCo staff on a number of factors, including but not limited to: * Ability to meet service and product requirements; * Competitiveness of pricing overall and by specific products and areas; * Understanding of ExampleCo's environment and business goals, and ability to help ExampleCo meet goals effectively.
1.19	Right to Select	ExampleCo reserves the right to negotiate with and select all qualified suppliers at its own discretion and is not obligated to inform suppliers of the methods used in the selection process. ExampleCo reserves the right to dismiss any and/or all suppliers from the RFP process and reject any and/or all proposals. Expenses related to the development and submission of this or any other follow up quotations are the sole responsibility of the supplier.

ExampleCo Communications - COMPANY INFORMATION

ExampleCo QUESTION

SUPPLIER ANSWER

Please respond in Column D to each RFP question or requirement in corresponding Column B.

2.01	Please designate one individual from your organization who will serve as ExampleCo's contact person for the duration of the RFP process.	
	Name:	
	Title:	
	Address:	
	City, State, Zip:	
	Phone Number:	
	Email:	
2.02	Please provide a high-level organizational chart (1) for your organization and (2) illustrate the proposed reporting structure for the ExampleCo account team.	
2.03	How many full-time employees are employed by your firm?	
2.04	Provide a brief corporate overview and describe the services you provide related to communications.	
2.05	Provide company revenues for the last three years, and state whether the company has been profitable each year.	
2.06	How many clients does your firm currently serve?	
2.07	How many clients (if any) spend over \$1M annually with your firm?	
2.08	State percentage of your 2010 revenue that came from your three largest-revenue clients. Respectively, what services do you perform for each and how long have you had the relationships?	
2.09	Describe your ownership structure.	
2.10	Provide information on your parent company if applicable.	
2.11	List acquisitions or mergers in the last three years if applicable.	
2.12	Please list three references of corporate clients for customer service. Include services provided and year they became a client. (ExampleCo will not reach out to any references before coordinating with applicant.)	
2.13	Describe any type of customer satisfaction measurements you track with your clients, and share the average ratings of your firm.	
2.14	Describe the profile of the company that makes the best type of client for your firm.	
2.15	Do you work with any clients that are similar to ExampleCo?	
2.16	What kind of company is not a good fit for your firm?	

DESCRIPTION AND OBJECTIVES

ExampleCo is seeking a solution that will produce optimal results as efficiently as possible. That may be a mix of multiple firms working with in-house staff on both strategy and execution. This section of the RFP is intended to solicit bidders' input on the optimal solution design, including the bidding firm's potential role and the role of other parties or ExampleCo staff. Please also include a short narrative describing your proposed solution. Call upon your experience with other clients, and refer to ExampleCo's unique structure and mission.

Your recommended solution will not be considered final, and firms will not be eliminated from further discussions solely based on their recommendations here. ExampleCo is interested in seeing the bidders' unique approach and competencies through this part of the response. Based on RFP responses and subsequent conversations, ExampleCo may elect to discontinue current areas of investment, considerably change the mix and emphasis of customer service activities, or begin new initiatives.

DIRECTIONS

- An example of a completed solution matrix is included on this tab.
- Use the solution matrix below to outline your primary recommended customer service solution, specifically indicating:
- What functions your firm would perform directly (in column C, indicated by Initials of your firm)
 - What functions your firm would provide indirectly through a subcontracting firm (in column D, listing name of firm or TBD if name is not known)
 - What functions ExampleCo staff would perform (in column E, writing "ExampleCo")
 - What functions ExampleCo would oversee separately from engaging with you (in column F, writing TBD or name of recommended firm)
 - What functions your firm has no specific recommendations for (in column G, writing "No Rec")
 - Full-time Equivalents (FTEs) required for customer service, management, and strategic direction
 - The relative mix of your recommended solution (in column H, as percentage numbers totaling 100)

SOLUTION MATRIX	Provided by Vendor	Vendor Manages; 3rd Party Delivers	Done In-house by ExampleCo Staff	ExampleCo Manages; 3rd Party	No Recommendation	FTEs Required	Comment
STRATEGIC/MANAGEMENT							
Solution Design							
Senior Program Oversight							
Communications							
OPERATIONS						Relative Mix (sum = 100)	
Area 1 (Specify)							
Area 2 (Specify)							
Area 3 (Specify)							
Area 4 (Specify)							
Area 5 (Specify)							
Area 6 (Specify)							
Area 7 (Specify)							
					Sum:	0	

NARRATIVE DESCRIPTION OF RECOMMENDED SOLUTION DESIGN

4) Capabilities

ExampleCo Communications - VENDOR CAPABILITIES

DESCRIPTION

Please describe your experience and capabilities with the specified customer service activities.
This list is not exhaustive and may include overlap depending on how your firm defines the terms.

Highlight where your approach or capabilities differ from competing firms.

Area	Response
Solution Design for Customer Service	
Proactive Solution Management	
Inbound Troubleshooting - Phone	
Inbound Troubleshooting - Email	
Social Media Customer Service	
Surveys and Customer Research	
Recruiting	
Training	

The Tactics in Column B on this page should follow your Solution Design on tab 3. In addition, please list the solution components of the tactics in Column C, and descriptions if needed in Column D.

Pricing estimates are not required for services that are outside the scope of your proposed solution.

[illegible]

[illegible][illegible][illegible][illegible]

The documents referenced below may be helpful to you in understanding ExampleCo and preparing your response.

Document	Link
Annual Report	http://www.exampleco.com/annualreport
Customer Service Overview	[document attached]
Memo on new Customer Service Initiative	[document attached]
Company Values and Mission Statement	http://www.exampleco.com/about

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