THREE MISTAKES IN ASSESSING COMPETITOR BEHAVIOR

TRUPREDICT™

TruPredict™ was created for strategic bidding by experts.

Their work has involved bids of all sorts, from bidding to win large contracts, to buying mobile phone spectrum licenses. Even after hundreds of important competitions, no one can claim "we've seen it all." But we've seen plenty when it comes to assessing competitive behavior. Here are three common errors we see in assessing competitive behavior.

① Using the Wrong Competitive Intelligence Sources.

Too often, bid teams don't have the right sources. This can happen when there is no budget for finding competitive information. It can be just as bad when a great deal of money is spent on an expensive consultant who actually knows little about your competitors.

Database analysis is often a problem because it seems so precise. For example, you might find the ratio of contract pricing to budget line funding across big programs your competitor has won. But this is probably useless. That data is unlikely to pass the tests needed to be relevant. It would need to be competitively bid programs, from the same buying agency, awarded to the same business unit you are competing with.

While databases can be helpful, they rarely generate neat, useful results.

Finding the right competitive intelligence sources is tricky. There are ethical and legal issues to be considered, as well as the issue of a well-designed effort to collect the right information.

Without the right information targets, you have little hope of choosing the right sources.

② **Ignoring Behavioral Economics.**

Suppose you find an old China cup in a flea market. It's priced at 50 cents, and you buy it. As you are checking out, two people rush up. One says, "I'm from the British Museum, and it's possible that cup came from Queen Victoria's personal tea set. I'm prepared to buy it to take back for examination." The other says, "My kids brought that cup here without my permission. It is the only thing I have left from my grandmother's estate. I have wonderful memories of her with that cup, and I have to have it back." Clearly the cup is now worth more than 50 cents. But how much is it going to be sold for?

The answer depends on how much money the second person has. Behavioral economics shows that we will pay more to avoid a loss. If they have the means, the second person will probably pay far more than a collector to avoid the emotional loss of the heirloom. A rich heir will pay more than a rich collector, most likely. One is trying to prevent a loss, the other is trying to gain an asset.

The key point is that there is no "correct" price for the teacup. The answer is a complex combination of the resources available to the two bidders, and the extent to which they feel they are going to lose something they feel is already theirs vs. a feeling of gaining something new.

Since we can't know for sure how big either bank account is, and we can't know their feelings, behavior economics must be treated in terms of our uncertainty.

3 Combining Information Sources Incorrectly.

There are many ways to blend data. Sadly, there are probably more wrong ways than correct ways.

A dripline process is needed to avoid the most common mistakes. For example, in thinking about reasons a seller might offer a discount, it is far too easy to double count discounts (or even triple count).

In the same way, it is easy to double or triple count reasons why a buyer might pay a premium.
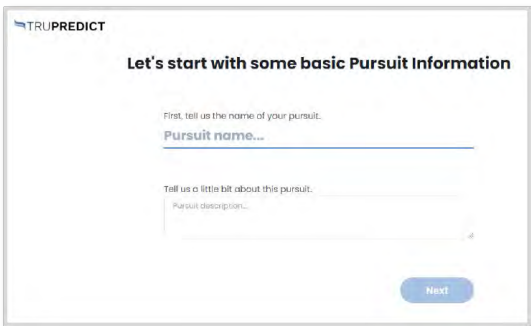
So, one of the most important process declines is to categorize information sources and carefully consider how to combine them.

Avoiding Competitor Assessment Mistakes.

A technology-enabled process is a proven way to avoid these mistakes. This is the methodology deployed by most successful firms. here is no better technology for bid pricing than TruPredict™. It embodies the best practices in bid process discipline, behavioral economics, and benchmarked best practices in analytic excellence.

TruPredict™ uses native uncertainty in its mathematics. Unlike spreadsheets, designed to process point estimates, TruPredict was designed to handle spans of uncertainty, and to present them in ways decision makers can understand and use them.

About TruPredict™ Essentials Price to Win Software

Much more than just pricing software for government bids, TruPredict Essentials empowers you to test every assumption, model every possible outcome and see the impact of your strategic decisions.

Even if you have no experience, TruPredict Essentials gives you the answers you need to win more government contracts using an intuitive, guided Q&A format. And you can try it for free with zero obligation and with no credit card. It only takes about 30 second to sign up.

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