

PRICING

FOR CONTRACT AND GOVERNMENT PROFESSIONALS

December, 2021

Your Business Isn't Too New to Respond to RFPs!

by The Bid Lab

Gaining a Competitive Advantage

by Lori Allen and Jeff Shapiro

Material Discount Curves

by Daniel Chalfant

4 Attributes of Winning Federal Contractors

by Jim Bender

Interview with Leadership

Jorge Bennett, DCMA



**Small and
Medium
Business**

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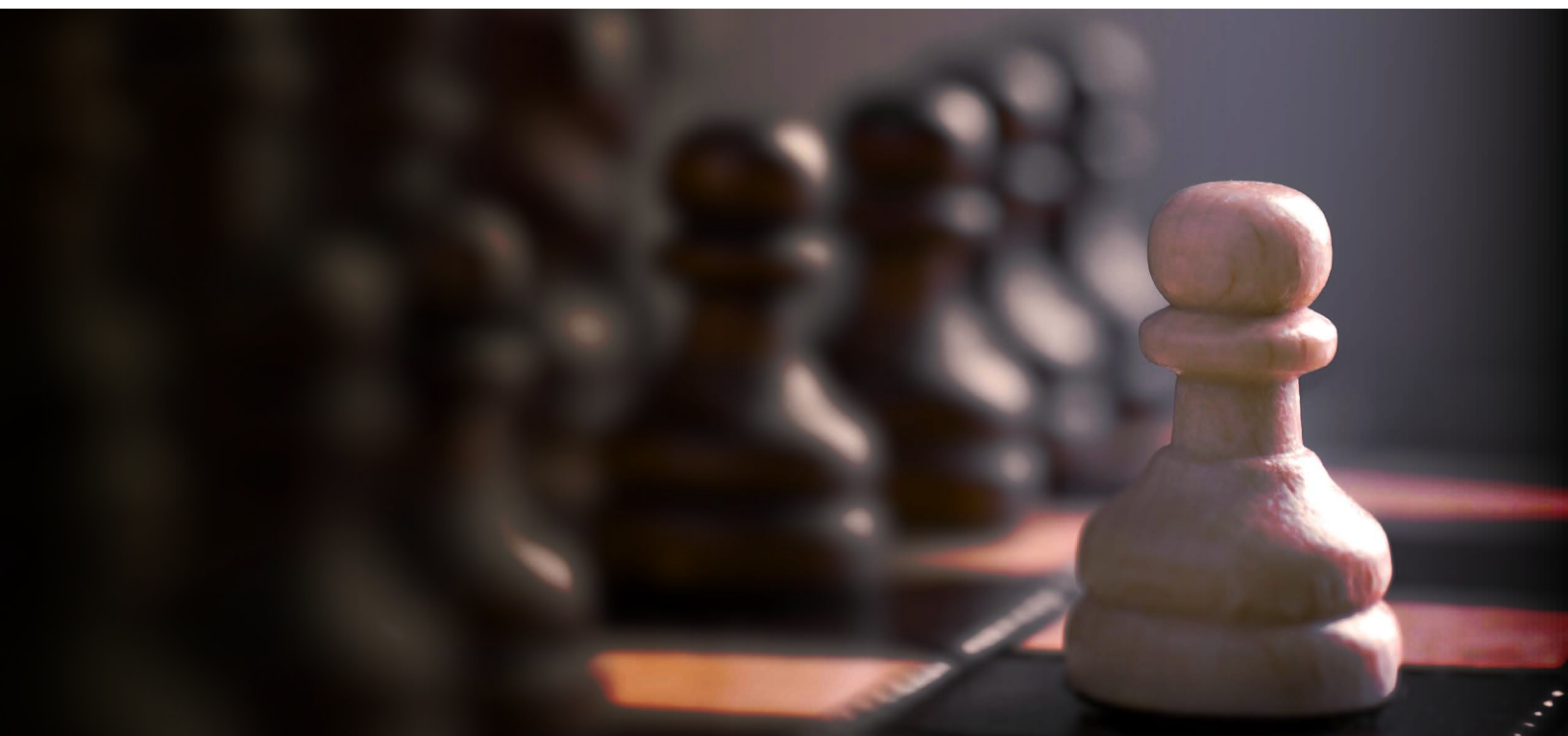
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PHASE LLC is an 8(a) certified Joint Venture between PACE LLC and Horizon Industries, Limited. Together, PHASE has over three decades of experience providing IT and Management consulting services to the U.S. Federal Government and select commercial clients. We focus on the business objectives and needs of our clients, delivering a full life-cycle of support from business strategy analysis, business system development and deployment, and business operations consulting. For government clients, we also provide acquisition support and acquisition training services.

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- Requirements Management
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We place our customers' missions first and believe our own success will follow. PHASE builds excellent multidisciplinary teams that work together, contributing unique perspectives which maximize client results. PHASE's culture ensures that each employee is constantly learning and acquiring new skills to continually improve the client experience.



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8245 Boone Blvd, Ste 300 Vienna,
VA 22182 info@pacellc.net

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Final Words





Dear readers,

The end of 2021 is upon us. Thanks to our customers, contributors, and subscribers for their support in helping the Pricing Magazine reach over 8,000 subscribers and keep ProPricer on our growth trajectory.

ProPricer's mission is to be the leading proposal pricing solution that drives efficiency, synergy, and trust in modern government contracting. With your help, we are becoming the undisputed worldwide leader of proposal pricing software. Additionally, the annual Government Contract Pricing Summit, hosted by ProPricer, allows networking with top contracts and acquisitions professionals from prime contractors, subcontractors, and the federal government. Mark your calendars to attend on June 22-24, 2022, in beautiful San Diego!

Our focus in this edition of the Pricing Magazine is small business and subcontracting. Within these pages, you'll discover insights from both industry and government along with best practice tips for better connecting cost and pricing and subcontracting within organizations. Even if you are a prime or more prominent contractor, we hope you can learn and walk away with valuable information to support your current and future subcontractors better.

Over the past year, we've covered a lot in the magazine, including pricing compliance, innovation, professional development, and more. Going into the next year, I hope that we take all of the lessons learned and continue to evolve with the needs of our industry. I also hope you can take pride in your role in helping make a difference in your workplaces and overall company mission. Execution does not happen without pricing, procurement, and contract professionals.

There is undoubtedly change, challenge, and essential work that will need to be accomplished in the year ahead. I've learned this past year how close-knit and robust our community is, and I'm happy to be a part of it! I challenge us all to be perpetual learners and allow our team at ProPricer to be a part of that process with you.

I look forward to seeing you at our Government Contract Summit or one of our regional events in 2022!

All the best,

Keith Nordin, Chief Revenue Officer

Executive Business Services Inc., makers of ProPricer



PROPRICER Essentials for

SMALL
AND
MEDIUM
BUSINESS



SCAN ME

PRICING

FOR CONTRACT AND GOVERNMENT PROFESSIONALS

M A G A Z I N E

VP OF MARKETING

Holly DeHesa

LEAD DESIGNER

Liana Mikhaylova

MARKETING SPECIALIST

Natasha Mendez

SENIOR EDITORS

Drew Wakefield
Jadan Smithers

CONTRIBUTING STAFF

Michael Weaver, Director of Operations

CONTRIBUTING STAFF

Holly DeHesa

@ hdehesa@propricer.com

951.693.0440

EBS LEADERSHIP

CEO

Joseph Shurance

PRESIDENT

John "JB" Shurance

CONTROLLER

Cathy Buck

VP OF CORPORATE COMMUNICATIONS

Ken Silver

CHIEF REVENUE OFFICER

Keith Nordin

VP OF MARKETING

Holly DeHesa



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DECEMBER

2021 GAO Protests Recap with Regards to Key Pricing Issues

*Michael Gallo,
Federal Pricing Group*

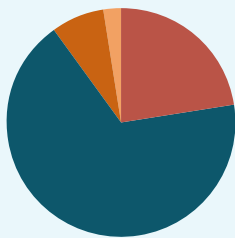
WEDNESDAY, DECEMBER 15TH, 2021
11 AM PT / 2 PM ET

INTERESTED IN
PRESENTING A WEBINAR
IN **2022? CONTACT US**



Small / Medium Business Contracting Survey

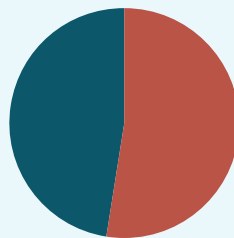
On a scale of 1-10 how challenging is it for small businesses to succeed in today's Government contracting climate?



■ High - 22.50%
■ Very challenging - 67.50%
■ Not so challenging - 7.50%
■ Low - 2.50%

40 Answers

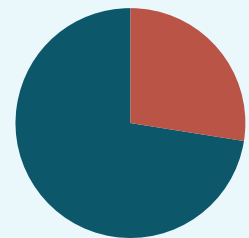
Do you find government opportunities for contract work, easily?



■ Yes - 52.50%
■ No - 47.50%

40 Answers

Do you think it's more profitable for small businesses to outsource their pricing efforts? (eg: a consultant or outside firm)



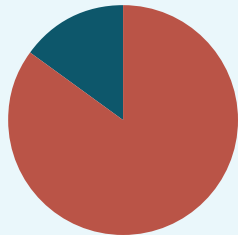
■ Yes - 27.50%
■ No - 72.50%

40 Answers

"I have not failed. I've just found 10,000 ways that won't work."

THOMAS A. EDISON

Has your small business increased efforts (time and effort) to bid on federal contracts to keep up with the competition?

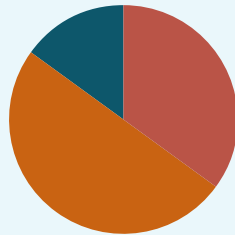


■ Absolutely - 85.00%

■ Not at all - 15.00%

40 Answers

Are there a lot of resources available to make sure small/medium businesses can be successful in the proposal process?



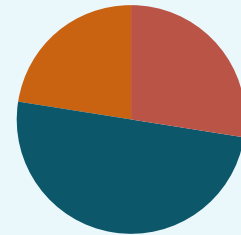
■ Yes, absolutely - 35.00%

■ There could be more - 50.00%

■ No - 15.00%

40 Answers

If you could help write the agenda for the 2022 Government Contract Pricing Summit, which of the following three areas would you like to see addressed in support of small businesses?



■ Discussion of Contracting policies for small business - 27.50%

■ Discussion of innovative solutions to support small business success - 50.00%

■ Discussion of subcontracting opportunities for small business - 22.50%

40 Answers

Industry News

2021 HAS DRIVEN GROWTH AND CHANGE WITHIN FEDERAL PRICING IN PROCUREMENT.

Cyber security standards are evolving, agencies are looking at ways to speed up processes, and small/medium businesses have more bid opportunities than ever. With so many changes going around, we want to make sure you are always up to date on the latest news in federal pricing and procurement. Here are a few events that you should know about:

<https://www.19fortyfive.com/2021/10/stop-saying-u-s-navy-aircraft-carriers-are-obsolete/>

The United States military has struggled to develop operational concepts and appropriate capabilities to deal with the threat posed by competitor's anti-access and area denial (A2/AD) capabilities and the reality that potential adversaries have the advantage of proximity to likely regions of conflict.

This threat has forced the Department of Defense to distribute operations and deploy stand-in forces. Distributed operations are envisioned as the

simultaneous concentration of effects and the wide dispersal of platforms and units. Stand-in forces are envisioned as highly lethal mobile units and networks that would conduct dispersed operations within an adversary's A2/AD umbrella.

At this time, there is no better stand-in capability than a carrier strike group (CSG). A CSG disposes of enormous firepower in the carrier air wing and the accompanying warships. The U.S. Navy is currently deploying an air wing with significantly enhanced capabilities. This evolving carrier air wing currently includes the F-35C Lightning II, E-2D Advanced Hawkeye, CMV-22B Osprey, F/A-18E and F/A-18F Super Hornet fighters, the EA-18G Growler electronic warfare aircraft, and several types of helicopters.

The carrier air wing will continue to be relevant to U.S. defense plans because it will continue to evolve. In the not-too-distant future, it will also include the F/A-XX sixth-generation fighter. The

carrier air wing is also likely to see the deployment of additional unmanned aerial vehicles performing a variety of roles.

<https://www.liberal.org.au/latest-news/2021/11/15/small-and-medium-businesses-secure-record-number-commonwealth-contracts>

Small and medium sized businesses are supplying a record share of goods and services to the Australian government, with the latest procurement statistics showing a \$5.4 billion increase in the value of Commonwealth contracts going to SMEs.

In the 2020-21 financial year, SMEs were awarded 45,773 or 54 percent of contracts with a total value of \$18.7 billion, which is the highest level on record and the highest annual increase for SMEs, up from \$13.6 billion in 2019-20.

Finance Minister Simon Birmingham said the Morrison administration continued to back SME participation in Commonwealth procurements and continued to exceed its targets in regard to the proportion of contracts going to SMEs.



Small and medium businesses continue to excel in the Australian procurement market, where they are fueling the local economy and providing jobs. Local government officials recognize that many SMB's had a tough time during the pandemic, but their performance is indicative of the goods and services that continue to be produced and delivered around the country. In order for the economy to recover, enhancing the opportunity for SMB's to bid and win work will be critical.

Stuart Robert, the Minister for Employment, Workforce, Skills, Small and Family Business said that a series of changes to the Commonwealth procurement framework helped to put more small businesses in the mix for government procurement work.

"This measure, as well as others like the greater use of whole-of-government panels to reduce the costs of tendering, five day payment times for e-invoices, and assessing the domestic economic benefits offered by suppliers for large contracts, are all about making it easier for SMEs to bid and secure Commonwealth contracts."

[Federal Government Awards Record \\$145.7 Billion in Contracts to Small](#)

[Business - Small Business Trends](#) (smallbiztrends.com)

A good amount of federal contracts are reserved specifically for small businesses. However, when they grow to become larger businesses, what are their options for increasing federal contracting opportunities?

Between 2008 and 2017, [The Government Accountability Office \(GAO\)](#) shared that only about 2.5% of small businesses grew to mid-size and continued to receive some type of federal contract. Stakeholders noted that implementing a mid-sized business set-aside would likely reduce opportunities for small businesses.

Between 2008 and 2017, 5,339 small businesses were awarded set-aside contracts in fiscal year 2008 and awarded any sort of federal contract in 2013. Only 104 of those small businesses became mid-sized by fiscal year 2013. Of those 104, 23 remained mid-sized through 2017 and won 75 contracts. Another three businesses became large and won six contracts.

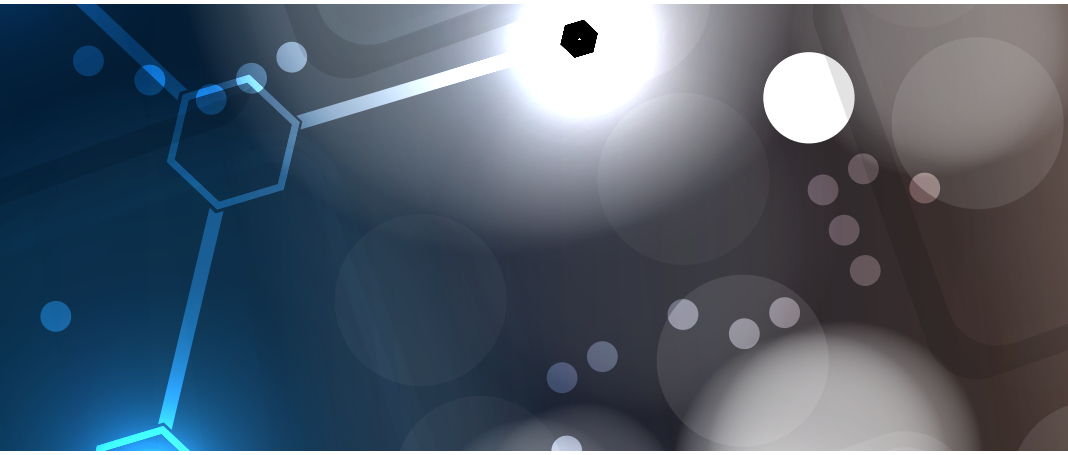
According to GAO, while a set-aside category for mid-sized businesses would increase opportunities for mid-sized businesses, stakeholders

generally believed it could decrease opportunities for small businesses and increase agency burden. Requiring agencies to consider businesses' past performance as subcontractors or as part of a team would help both mid-sized and growing small businesses by making them more competitive for contracts.

Fast forward to present day. In fiscal year 2020, \$145.7 billion in prime contracts were awarded to small businesses—a \$13 billion, or 26.01%, increase from fiscal year 2019. Additionally, small business and women-owned small businesses exceeded goals by being awarded \$82.8 billion in subcontracts.

Prime and subcontracts combined have added around 1 million jobs to the U.S. economy despite the challenges faced by the pandemic. However, like the GAO predicted previously, even though the value of small business awards in prime contracts increased, the number of businesses getting the contracts decreased.

SBA Administrator Guzman said, "our goal this year, and every year, is to make sure that small businesses can be like the giants they are in our economy and to create conditions to



guarantee their success.” To be prepared, small businesses need to be contract ready at all times.

[Microelectronics supply chain challenges and zero trust \(FCW\)](#)

Cybersecurity has been a hot topic in government procurement for the past few years. With the internet rapidly changing, data is more sensitive than ever—especially within the acquisition community. Recent cyber incidents have forced those in acquisition to strengthen security methods and ensure that all risks and opportunities for attacks are negated.

Security (DHS) are looking to implement something similar.

The problem goes further than what we’re looking at. Cybersecurity professionals are taking a look at a microelectronic level, looking at the chips essential to weapons systems and computing devices. The DoD is beginning to implement a zero trust approach that ensures that each interaction with the device is secure rather than relying on a report that it was secure when it left the factory.

[House infrastructure bill includes over \\$3 billion for federal tech \(FCW\)](#)



The Department of Defense (DoD) has implemented the Cybersecurity Maturity Model Certification program (CMMC), which is an assessment program that all companies doing business with the DoD must undergo to attest that their cybersecurity practices meet DoD standards. Other departments, including the Department of Homeland

Security (DHS) are looking to implement something similar. The problem goes further than what we’re looking at. Cybersecurity professionals are taking a look at a microelectronic level, looking at the chips essential to weapons systems and computing devices. The DoD is beginning to implement a zero trust approach that ensures that each interaction with the device is secure rather than relying on a report that it was secure when it left the factory. Implementing all of these new technologies and vetting them for security will cost agencies a pretty penny. The U.S Government created the Technology Modernization Fund (TMF), a bucket of money that agencies can use beyond their budgets to push needed digitization and modernization efforts forward. Money used from the TMF must be



repaid using the savings found by using the newly instituted and more efficient modern solutions.

[Space Force needs to make acquisition a critical capability, study says - FedScoop](#)

This is where the Space Force comes into the game. The newest agency in government is looking for ways to quickly get the technology they need to embark on space missions. A recent study by Rand Corporation suggested a number of ways they can improve the speed and efficiency of acquisition. This includes increasing the volume of information that is shared with industry and giving more authority and autonomy to program level decision makers.

<https://govwhitepapers.com/blog/acquisition-white-papers-for-government>

FOR MORE INFORMATION ON THE FUTURE OF GOVERNMENT ACQUISITION, TAKE A LOOK AT SOME OF THESE RESOURCES:

- ***Reducing Procurement Administrative Lead Time Using Modern Business Practices*** This memorandum takes an important step toward measuring the timeliness of federal procurements by establishing a common definition of “procurement administrative lead time” (PALT) and providing guidance on steps agencies should take to reduce PALT in their acquisition activities.
- ***U.S. Government Procurement and International Trade*** The COVID-19 pandemic demonstrated that U.S. companies and the federal government rely heavily on global supply chains. This has prompted congressional interest in better understanding the role of international trade in U.S. government procurement.
- ***DOD Acquisition Reform: Increased Focus on Knowledge Needed to Achieve Intended Performance and Innovation Outcomes*** As the DoD drives to deliver innovative capabilities faster to keep pace with evolving threats and emerging adversaries, knowledge about programs’ cost, schedule, and technology increases the likelihood that these capabilities will be achieved. GAO

annually assesses selected DoD weapon programs and their likely outcomes.

- ***Understanding Cybersecurity Maturity Model Certification (CMMC) Compliance*** As part of its response to cyber threats, the DoD began work in early 2019 to develop the Cybersecurity Maturity Model Certification (CMMC) framework. This DoD driven initiative intends to provide a “unified cybersecurity standard” for defense acquisitions and aims to use and build on existing law and regulations.
- ***Ten Considerations for a Cloud Procurement*** Cloud procurement presents an opportunity to reevaluate existing procurement strategies so you can create a flexible acquisition process that enables your public sector organization to extract the full benefits of the cloud. Cloud procurement considerations are key components that can form the basis of a broader public sector cloud procurement strategy.





**FOUNDED BY PROPOSAL EXPERTS,
THE BID LAB IS THE ONLY RFP CONSULTANT FIRM
OF ITS KIND DEDICATED TO ALL THINGS RFPS – AND ONLY RFPS.**

The RFP proposal process can be overwhelming, and no two bids are the same. Crafting a winning response takes valuable time away from your day-to-day work, and that's why The Bid Lab helps you focus on the work you do best. By handing over the time-consuming process of sifting through meticulous requirements to find and respond to RFPS that are right for you, The Bid Lab allows you to resume and prioritize your hired-for job functions.

Your Business Isn't Too New to Respond to RFPs!

Many small or medium-sized businesses think they're not ready to respond to requests for proposals. As an RFP consulting company, we've heard a plethora of reasons for these "why not's." Some companies believe they're too new and lack experience working with government agencies. Some say they don't have the time. Others say they don't have the available resources. And some are very honest and share that "responding to RFPs is just too difficult."

In a statement on June 1, 2021 the Biden Administration announced its goal to grow federal contracting with underserved small businesses by 50%. This equates to an additional \$100 billion in contracting dollars over the next five years. Government agencies are further directed to "assess every available tool to lower barriers to entry and increase opportunities for small businesses and traditionally-underserved entrepreneurs to

compete for federal contracts."

So, with that in mind, when is the right time to start responding to RFPs? The answer is now. Not to increase any of the trepidations that may already exist about responding to RFPs, but it's no secret that businesses just starting out will need to work smarter, and yes, a little harder too.

But we know from experience that you can respond to and win RFPs. Here are some tips to do just that.

1

WORK SMARTER FROM THE START, NOT HARDER.

Don't waste the little time you and your team have by responding to every RFP that's available. Your goal from the beginning is to find the right RFP that aligns with your business strategy. This includes verifying that your business can:

- Meet the response submission deadlines.
- Fully complete the outlined Scope of Work.
- Satisfy the evaluation criteria requirements.

These three points will help you determine a "go" or "no go" with the response. There's nothing worse than finding out four hours into an RFP proposal that the return on investment is not sufficient to justify a response.

Just because every RFP response begins with a blank document doesn't mean you have to start with a blank slate each time. Your business likely has a wealth of information that can be utilized to help tackle a majority of the response answers. Look to your website to include information about your company, as well as client reviews or published case studies. Even look to sales decks for an organized presentation of why this agency should choose you.

But remember, this content is only a starting point. Your response should speak to the client's specific needs and your content will need to be reworked to reflect this.

Build an organized RFP response library. During and after each new response, keep your files as clean and organized as possible. Your goal is to make finding previous questions and answers as easy as hitting Ctrl+F. By keeping your files easily searchable, you'll find your response time decreases after each response.

2

SHOWCASE YOUR EXPERIENCE.

The pandemic has led to an incredible amount of new business start-ups. The first quarter of 2021 alone saw over 1.37 million new business applications. Pandemic entrepreneurs started many of these new small businesses because they have the

experience to back them up. New businesses typically have misgivings when responding to RFPs due to a lack of long-term history or a big book of clients to back up their work. If you're a newer company yet have many years of combined internal experience, push your combined experience in your proposal.

When put to paper, your team should show a wealth of collective experience that includes:

- References from past projects.
- Previous expertise proving competence in managing an array of projects and examples of different situational scenarios.
- A previously performed Scope of Work that relates directly to the project at hand.

If you find your business is coming up short in areas where you can demonstrate expertise, use the RFP Question & Answer period to your advantage. For instance, an RFP may require three references from the past five years, but your firm is only three years old. Yet, you may have 20 years of experience within the industry and can provide previous references. Submit your situation to the procurement manager during the Q&A period and ask if they'll accept those references in place of the stated equivalent.

3 GO THE EXTRA MILE.

As a newer business that has found the right RFP, take every opportunity to go the extra mile to stand out against the competition. What do you likely know about your competitors already? They've probably been in business longer than

you, have more experience responding to RFPs, and may be responding to multiple RFPs at once. Don't let this fool you into thinking you cannot compete and win against them.

First of all, if companies are responding to multiple RFPs, they may not be dedicating what's required to effectively respond to each one. Therefore, take this opportunity to "show off" your skills and prove to the agency that you want their business.

For example, let's say a two-year-old website development company has found their right RFP with an agency seeking complete website redesign services. The company has the professional experience to back up its services, along with excellent references, but lacks in years of operation as it was founded by a pandemic entrepreneur team. The team knows that contracting with public agencies is a lucrative way to grow their business, so they not only write a customer-focused response, but also "show off" their skills by presenting a mock-redesign of the agency website. A visually pleasing blueprint that catches the procuring team's attention is something that most competitors will not take the time to do. Therefore, do what you can, where you can, to stand out!

The government purchases goods and services from virtually every industry, and your business likely has what they're seeking. If you're hesitant about these types of contracts, consider starting small by working with your local government agencies. This will help you build your skills in developing the best practices we've mentioned in this article. Once your confidence and experience grow, you'll easily move to the next level of responding to your state or federal agencies' RFPs.

Hopefully we've convinced you that your business can compete against larger and more seasoned businesses for contracts in the RFP space. This year alone the government aimed to designate 23% of prime contracts for small businesses—and surpassed that goal! So, here's the takeaway: If your business isn't yet vying for public sector contracts, there has never been a better time to start. Because if you're not, you're leaving that designated money on the table.

Looking to get to work? Here's how to start building a Content Portfolio to simplify your first and future RFP responses.

CONFIDENCE





Is your business interested in pursuing public or private bid opportunities, but doesn't know how to start?

If you need help getting your strategy off the ground, The Bid Lab can help! As an RFP consulting firm, we guide small and medium-sized businesses through the proposal response process. No matter your industry or experience level, you can depend on us to ensure your submission is on time, on point, and on the shortlist.



Bid Manager

Whether you're in need of qualification assessment, writing and formatting, or the whole gamut, our RFP consultants assist with proposals of all kinds, lengths, scopes and formats.



Bid Builder

We procure the best vendors, minimizing risk and costs for our clients through pre-planning, RFI issuing, RFP building and response evaluation. Our team will help you identify the best partner for your project.




Bid Finder


Our dedicated experts actively search, find and present bidding opportunities to make your business grow.



Interested in working together?

 www.thebidlab.com

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 respond@thebidlab.com

Industry Events

- ➔ [Contract Type and Pricing Basics](#)
- ➔ [GSA Schedule vs. Open Market](#)
- ➔ [FAR/DFARS Update: End of Year Review](#)
- ➔ [Equip Your Finance Team to Thrive in the Face of Change](#)
- ➔ [Flowdowns: Are you "Flowing" Your FAR and DFARS Clauses](#)
- ➔ [2021 GAO Protests Recap with Regards to Key Pricing Issues](#)
- ➔ [Incurred Cost Submissions Basics](#)
- ➔ [HCA TS Delegation of Procurement Authority \(DPA\)](#)
- ➔ [Selecting the Best Team Arrangement for Your Program](#)
- ➔ [2022 AIAA SciTech Forum](#)
- ➔ [Joint Fires Summit](#)
- ➔ [Mobile Deployable Communications Conference 2022](#)
- ➔ [2022 - FAR Department Supplement - Defense](#)
- ➔ [GASB Update Webinar](#)
- ➔ [2022 - FAR Department Supplement - DPGI - Defense, Procedures Guidelines, Information](#)
- ➔ [2022 - FAR Department Supplement - AFARS - Army](#)
- ➔ [2022 - FAR Supplement - DARS - DISA](#)



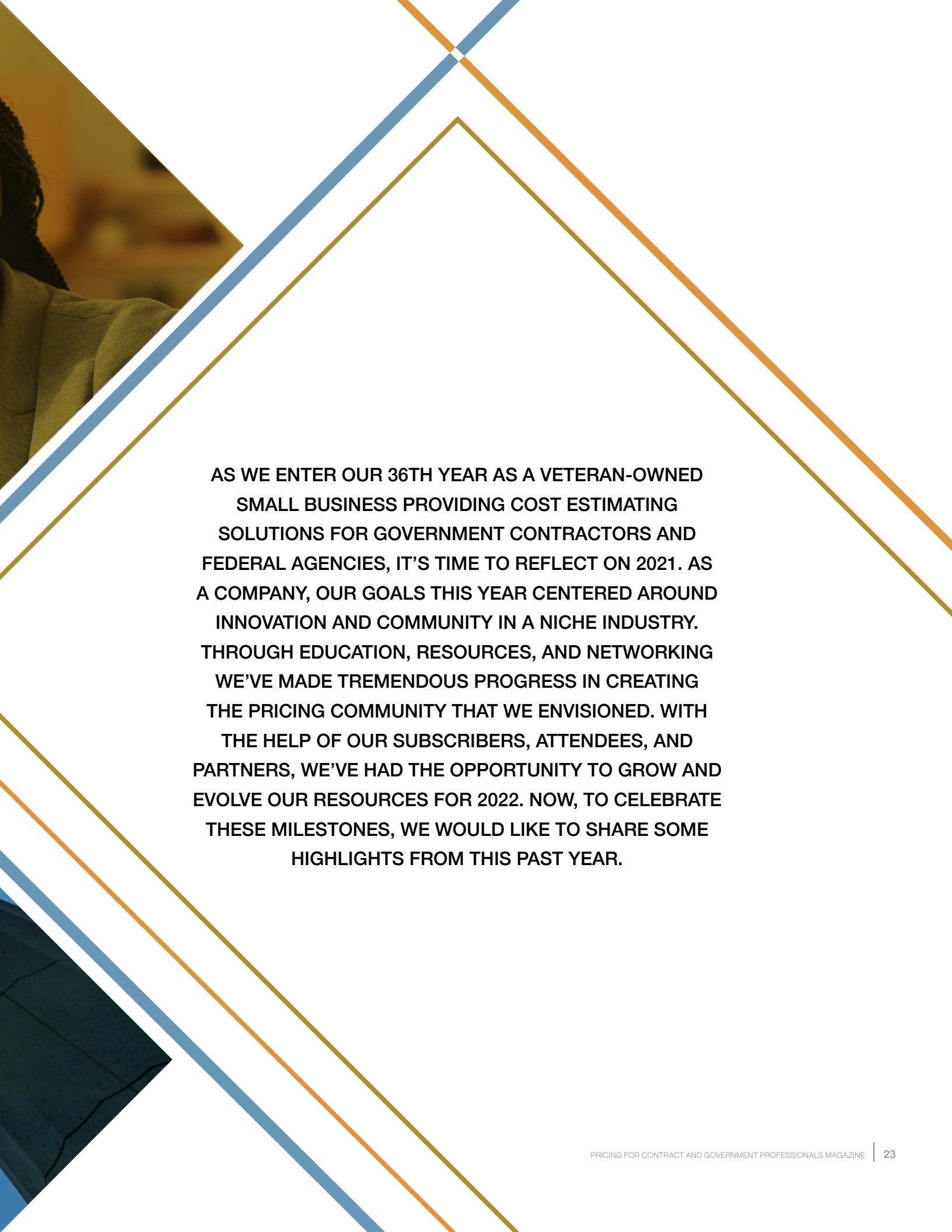
Thu, Dec 2, 2021	1:00pm - 2:30pm ET
Thu, Dec 9, 2021	1:00pm - 3:00pm ET
Thu, Dec 9, 2021	12:00pm - 1:30pm ET
Mon, Dec 13, 2021	11:00am - 12:00pm ET
Tue, Dec 14, 2021	12:00pm - 4:00pm ET
Wed, Dec 15, 2021	:00pm - pm ET
Wed, Dec 15, 2021	1:00pm - 2:30pm ET
Tue, Jan 4, 2022	1:00pm - 2:00pm ET
Thu, Jan 13, 2022	12:00pm - 1:30pm ET
Jan 4 - Jan 6, 2022	
Jan 19 - Jan 20, 2022	
Jan 26 - Jan 27, 2022	
Wed, Jan 26, 2022	12:00pm - 1:00pm ET
Wed, Feb 2, 2022	2:00pm - 3:50pm ET
Wed, Feb 2, 2022	12:00pm - 1:00pm ET
Wed, Feb 9, 2022	12:00pm - 1:00pm ET
Wed, Feb 23, 2022	12:00pm - 1:00pm ET

A YEAR IN REVIEW



Cost Per Item	Percent Markup	Total Sold	Total Revenue
\$4.00	90.00%	42	\$319.20
\$5.00	90.00%	50	\$475.00
\$13.00	65.00%	20	\$429.00
\$11.50	75.00%	18	\$362.25
\$10.00	100.00%	15	\$300.00
			\$0.00
			\$1,885.45



The page features a white background with several diagonal lines in blue, orange, and olive green. In the top-left corner, there is a partial view of a person's shoulder and arm in a tan jacket. The main text is centered and reads:

**AS WE ENTER OUR 36TH YEAR AS A VETERAN-OWNED
SMALL BUSINESS PROVIDING COST ESTIMATING
SOLUTIONS FOR GOVERNMENT CONTRACTORS AND
FEDERAL AGENCIES, IT'S TIME TO REFLECT ON 2021. AS
A COMPANY, OUR GOALS THIS YEAR CENTERED AROUND
INNOVATION AND COMMUNITY IN A NICHE INDUSTRY.
THROUGH EDUCATION, RESOURCES, AND NETWORKING
WE'VE MADE TREMENDOUS PROGRESS IN CREATING
THE PRICING COMMUNITY THAT WE ENVISIONED. WITH
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EVOLVE OUR RESOURCES FOR 2022. NOW, TO CELEBRATE
THESE MILESTONES, WE WOULD LIKE TO SHARE SOME
HIGHLIGHTS FROM THIS PAST YEAR.**

February

ProPricer's first industry webinar debuted in February, kicking off the series with two discussions, "The Importance of Accurate Indirect Rates" and "The Strategic Side of Rates" with Robert Jones (Left Brain Professionals). Over the year, the series continued and attendees heard from experts such as William Randolph (THINK Acquisition), Shene Commodore (Commodore Consulting), Judy Bradt (Summit Insights, LLC), and Jordan Parkes (Department of Homeland Security). We're excited to continue this webinar series in 2022 and we invite you to join us or sign up to host a webinar.

May

ProPricer's flagship product, Contractor Edition, expanded its use case with the release of version 9.4.100. In this release, we combined Contractor Edition with Services Contractor Edition—all features and functions from ProPricer Services Contractor Edition are available in Contractor Edition. You can now seamlessly switch between two different types of proposals and use rate modifiers for shift differentials like overtime and hazard pay.

March

We are so thrilled to have begun broadening our reach and partner engagement in 2021.

In March, the **Naval Postgraduate School (NPS)** and ProPricer began collaborating to build upon stakeholder unity of effort within the Defense Acquisition System (DAS). With this partnership, NPS refreshed their Cost/Price Analysis and Negotiations courses to include hands-on ProPricer software labs. This was the first step in a broader plan to help ProPricer better understand how to work with academic institutions to update and develop innovative approaches to cost and pricing analysis. If you are interested in becoming an Educational Partner, please contact us at info@propricer.com.

In addition to this exciting partnership, as a part of our initiative to be an educational resource for those in the pricing arena, we released our first edition of Pricing Magazine. Our first edition of the free publication focused on Compliance and was followed by editions that focused on Pricing Development, Innovation, and now Small/Medium Business Contracting. Pricing Magazine has been a great success, allowing readers to sit down with a number of agencies and companies and dive deeper into estimating, pricing, and procurement.



June

Our annual event, the Government Contract Pricing Summit was held online for the second year in a row. We missed the in-person interactions that have taken place at previous summits, but it was ultimately a success. This year, attendees heard from top pricing and estimating professionals such as John Tenaglia, Principal Director of Defense Pricing and Contracting at the Department of Defense, and Denyce Carter, Vice President of Contracts and Purchasing at General Atomics. Senior-level panelists from the US Army, US Navy, and US Air Force also joined to discuss the future of contract pricing, and senior industry leaders gave their thoughts on contract pricing challenges and innovative technologies.

Notable excerpts from this year's event include discussions on how the Defense Department is changing the way it is contracting with industry. Whether through new, faster contracting vehicles or through emergency authorizations during COVID-19, it's clear that the DoD is meeting its needs differently now than in the past. Join us in 2022 for a full three-day, in-person and online event for both government and industry.

August

Version 9.4.101 of ProPricer was released in August and included some fantastic new features. At the same time, we also released updates to our companion products:

- Import/Export Tool
- Connect for Excel
- Connect for Word
- Database Integration Tool
- GSA Travel Import
- Management Console



September

Future of Pricing Honorees

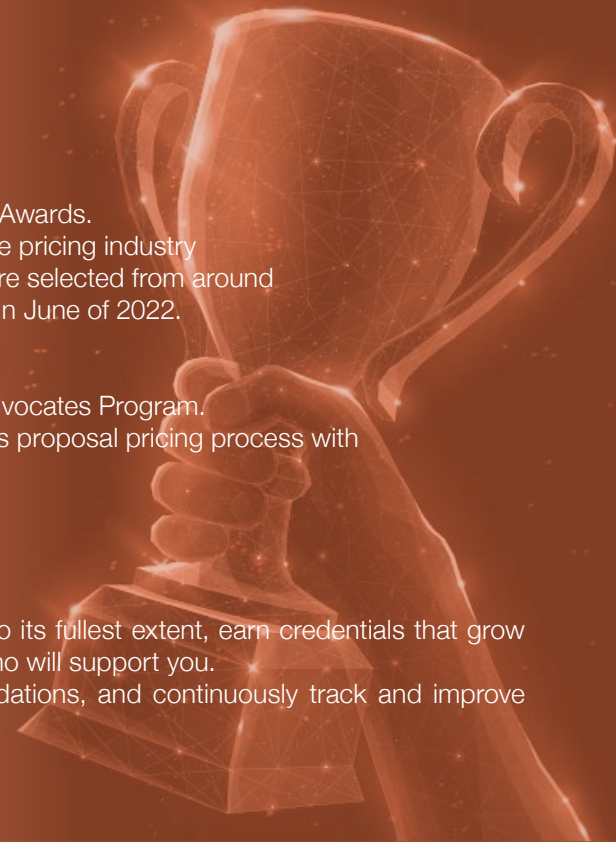
2021 featured our inaugural release of The Future of Pricing and Procurement Awards. The Future of Pricing and Procurement Awards strive to reflect innovation in the pricing industry by honoring both “Up and Comers” and Leaders in Pricing. **Ten honorees** were selected from around government, academia, and industry. The call for nominations will open again in June of 2022.

ProPricer Advocate Program

To further our customer success efforts, our team introduced the ProPricer Advocates Program. The goal of this program is to help our customers transform their organization’s proposal pricing process with the latest best practices, methodologies, and pricing tools.

Through this program we:

- Provide access to industry best practices.
- Empower you to drive innovation at work, leverage your deployment to its fullest extent, earn credentials that grow your career, and connect with a network of industry-leading trainers who will support you.
- Help you overcome resource constraints, give actionable recommendations, and continuously track and improve outcomes to help drive return on investment.



Coming in December

Our all-new online product! This product is specifically designed to help small businesses quickly deploy and implement ProPricer. It’s a cost-effective way to help organizations get proposals out the door to propel growth.

Thank you all for being a part of our 2021 journey. We hope that you join us for 2022 as we continue to advance our education community and bring pricing and estimating professionals together.





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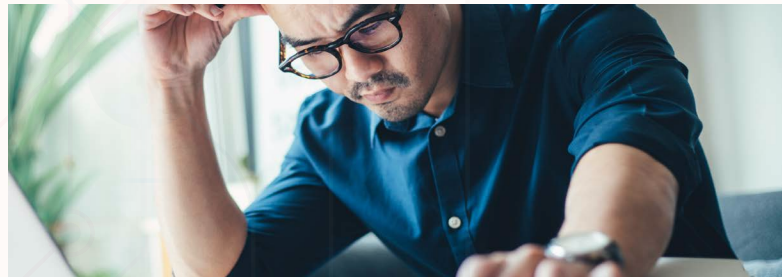
DATA ANALYST

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TECHNICAL SUPPORT ANALYST

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CONTENT MARKETING SPECIALIST

Temecula, California



MARKETING COORDINATOR

Temecula, California



EVENT COORDINATOR

Temecula, California



4 ATTRIBUTES OF WINNING FEDERAL CONTRACTORS

About the author:

Jim Bender

Principal / ZK Development
Solutions (ZKDS)



Mr. Bender works with small businesses to sharpen their marketing strategies, improve their business development processes, and raise more revenue with less drama. Through ZKDS he has leveraged public and proprietary data sources to help his clients to create a clear strategy for growing their business, focus their

limited marketing budgets on high win probability efforts, and forge strategic partnerships to build winning teams. Using tested proposal management tools and templates his company helps clients organize their proposal strategy, writing process, and color team reviews. ZKDS team members help client technical writers tell a winning proposal story more effectively and efficiently.

Before starting his company in 2016, Mr. Bender had over twenty years' experience in capture management for government contractors. His extraordinary strengths in federal marketing and communications helped start-ups grow to multimillion-dollar platforms. In leadership roles for several firms, he supported national marketing efforts for the Centers for Disease Control, National Institutes of Health, and numerous non-profit organizations. He currently serves on the Association of Proposal Management Professionals, National Capital Area (APMP-NCA) Board of Directors as a Marketing Committee co-chair.

IN MY SEVEN YEARS AS A BUSINESS DEVELOPMENT CONSULTANT, I HAVE HAD THE PLEASURE OF MEETING OWNERS OF COMPANIES OF DIFFERENT SIZES, SHAPES, AND OFFERINGS. MANY ASK ME WHAT IT TAKES TO BE SUCCESSFUL IN FEDERAL CONTRACTING. WHEN I SAT DOWN TO THINK ABOUT THIS RECENTLY, I CAME UP WITH 10 ATTRIBUTES. I'LL COVER THE FIRST FOUR ATTRIBUTES FOR YOU HERE, AND THE REST YOU CAN FIND ON MY WEBSITE BLOG.

1

A long-term strategy for winning that the ownership supports.

Getting into federal contracting is a get-rich-slow proposition. Anyone who tells you otherwise (especially if you're paying for their advice) is lying. Federal buyers are risk-adverse—they just don't like to try out new things and new contractors. This is baked into the reward system of federal contracts: feds get punished for mistakes much more readily than they get rewarded for innovation and success. To win in the gov-con world, the ownership must be committed to a long game.

2

Winners Have A Narrow Product Or Service Offering That Is Memorable.

What many new contractors miss in marketing to the government is they believe they can do almost anything, and this informs not only their marketing strategy, but also their decisions to pursue and not pursue opportunities. Buyers and teaming partners cannot be counted on to remember a whole lot of things about your company over time. A good brand proposition is memorable in that:

- it is specific,
- the value can be easily understood by the buyer (it solves their problems) and
- is prove-able with data or testimonials.

A company that has well-defined specialty area has shown that it has figured out what it does best and is a leader in that area.

3

Base your strategic decisions on market intelligence.

I have conducted dozens of market research efforts for companies that sell medical billing services, secure fax machines, legal services and one company that had a system that prevented a surgical team from operating on the wrong body part. Every time I have surprises in terms of who is buying them, how they are buying them and who they are buying them from. Without this kind of market insight, the aspiring federal contractor will waste valuable time chasing highly competitive open solicitations instead of pursuing a vehicle strategy, or bidding on a contract without knowing the competition.

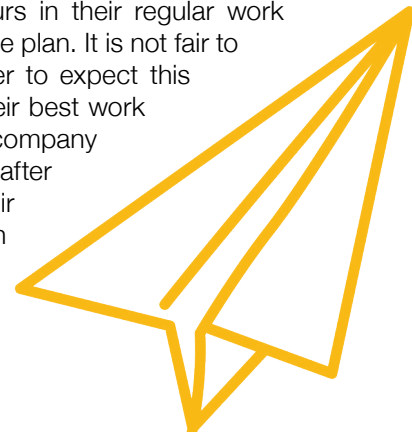
4

Commit someone in the company to working the Business Development/ Capture process.

This person should:

- Be familiar with company capabilities, staff, and past performance so they qualify contract opportunities and pitch to buyers and potential partners.
- Understand how the company's offering exceeds expectations, and what government customers are most likely to buy.
- Be comfortable with networking and selling the company to partners and government buyers.

The BD lead should also have the ability, that is unbillable hours in their regular work week, to work the plan. It is not fair to the staff member to expect this person to do their best work on winning the company new business after they do their full-time job on delivery.



<https://www.linkedin.com/in/jimbbender/>

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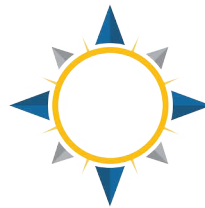
- Market Research
- Capture Strategy and Execution
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Proposals

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Gaining a Competitive Advantage:

*SYSTEM ASSESSMENTS VS.
AUDITS TO EARN POINTS AND
CONTRACT AWARDS*



Lori Allen,
CPA, Senior Manager, Government Contracting

703.744.6758
Lori.Allen@CohnReznick.com



Jeff Shapiro,
CPA, Partner, Government Contracting

703.994.0702
Jeff.Shapiro@CohnReznick.com

The National Institutes of Health Information Technology Acquisition and Assessment Center (NITAAC) recently released the final solicitation for its Chief Information Officer-Solutions and Partners (CIO-SP4) Government Wide Acquisition Contract (GWAC) on which huge amounts of companies bid. It includes language consistent with large solicitations for GWACs and other Indefinite Delivery Indefinite Quantity (IDIQ) contracts that allow third-party verifications or audits of certain criteria. These verifications demonstrate compliance with parts of the solicitation, gaining points for qualifying to stay within the competitive range.

We expect this trend to continue, and similar language is already seen in the draft solicitation of the upcoming Department of State Evolve procurement. It is imperative that federal contractors understand the status of each of their business systems to prepare themselves for future opportunities that either prioritize or necessitate certain compliant systems.

Federal contractors must adequately monitor and maintain their business systems, and the tools they can choose from include outside consultants. Those consultants can either provide a gap assessment or a full audit. Assessments tend to have a shorter timeline to completion, so the costs are usually significantly less than a full system audit. If the terms of a solicitation allow independent assessments or audits of specific business systems, then contractors—particularly small businesses—that may be lacking government approval or audit of specific systems can be more competitive.

AUDITS VS. ASSESSMENTS

One of the reasons that audits are so expensive is because of the requirements and regulations around an audit opinion, particularly when they are conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). To provide an audit opinion on a system, the auditor must look at the whole organization and consider things other than the specific system.

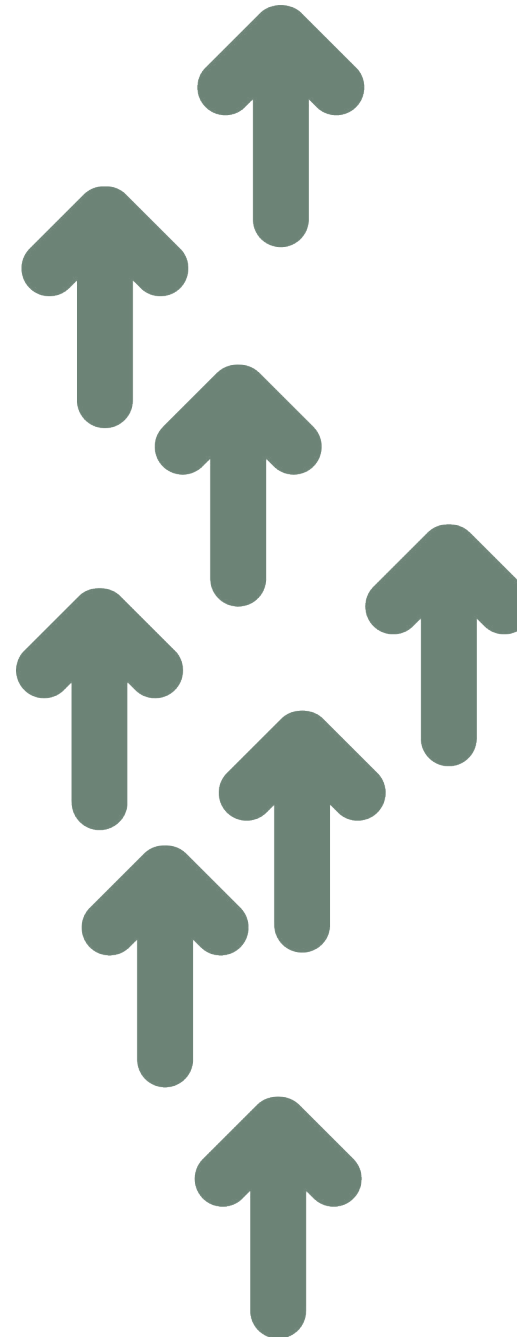
For example, an audit includes a full risk assessment that covers things like an understanding of the contractor's internal control environment, general information technology controls, fraud risk, and overall risk profile. Then fieldwork would commence where sampling and testing covers a significant period of time and a significant number of transactions, which ultimately result in a full report with an audit opinion.

An assessment, on the other hand, does not have to follow the same requirements and regulations as an audit. In an assessment, the consultant is able target pain points within the system to determine if it is compliant with the applicable system criteria. This often includes:

- Reviewing policies and procedures.
- Interviewing personnel.
- Confirming that system training has occurred.
- Performing mock audits that target the specific transactions or information applicable to the system under assessment.
- Ensuring that a methodology is in place for consistent processes.
- Reviewing internal audits or management reviews of the system and its components.

Assessments can be tailored to the unique organizational needs of each contractor to include:

- Assisting with a full implementation.
- A gap assessment with recommendations for improvement of a system that is already in operation but may not meet all of the criteria.
- Strictly assessing and reporting on a fully operational system that is already designed to meet the criteria.



ASSESSMENT AUTHORITY

In determining the acceptability of an assessment over an audit, one can look to the Standard Form 1408 Pre-Award Survey of Prospective Contractor (Accounting System) as a benchmark. This form includes an evaluation checklist to determine if the accounting system meets certain criteria (see <https://www.gsa.gov/forms-library/pre-award-survey-prospective-contractor-accounting-system>). The last item on the form asks for a conclusion about whether or not the system is in full operation by selecting one of the following:

- In operation
- Set up, but not yet in operation
- Anticipated
- Nonexistent

Consultants can apply this same evaluation process to each business system by measuring it against its system criteria outlined in the Defense Federal Acquisition Regulation System (DFARS), and then determining the system operation status, like in the Standard Form 1408. While not all contractors are subject to the DFARS system criteria, they are commonly considered the standard by which government systems should be measured.

WHAT ARE THE BUSINESS SYSTEMS?

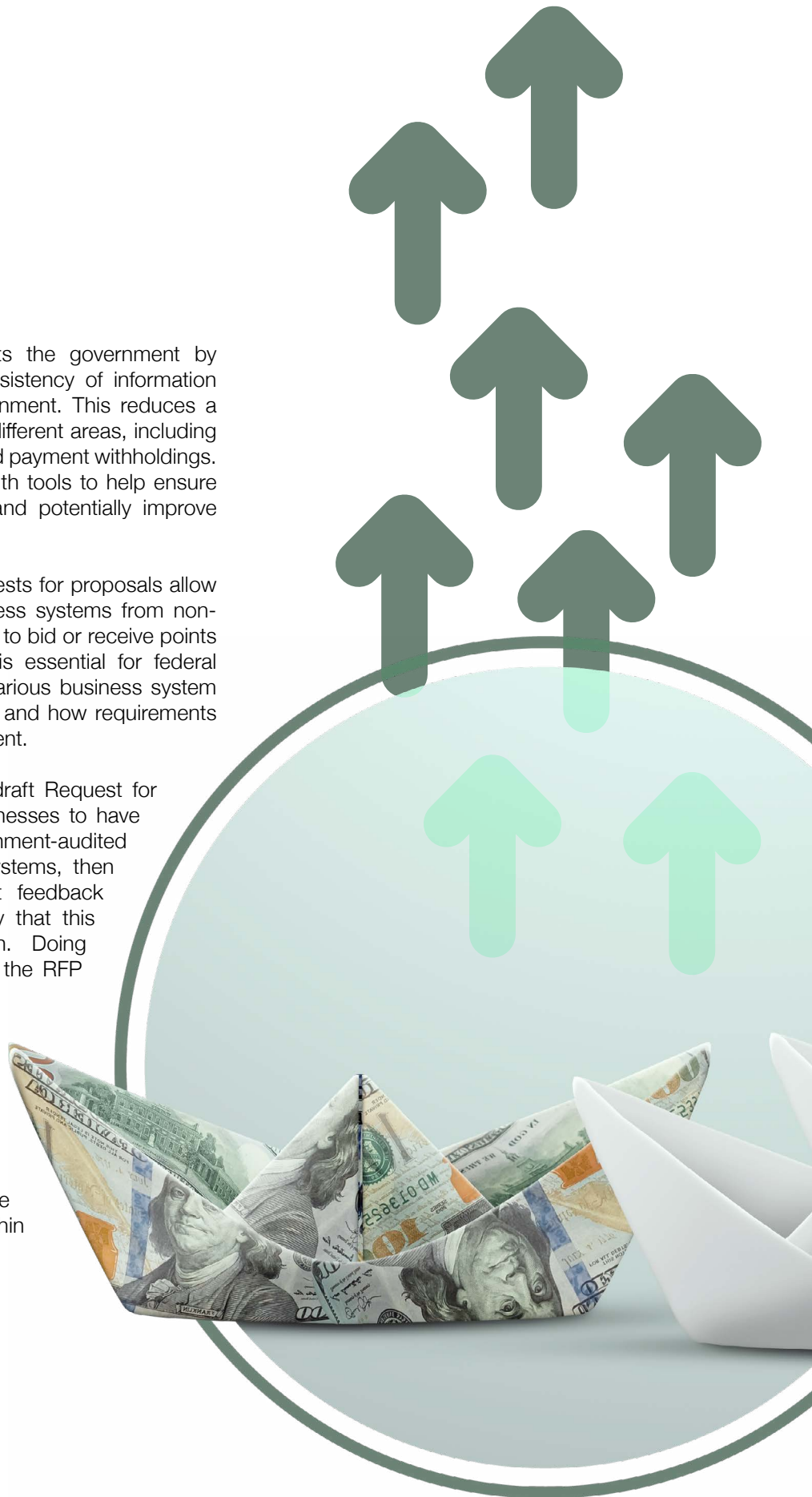
SYSTEM	FAR, DFARS, PROVISIONS, and CLAUSES	
	DOD	NON-DOD
Accounting (AS)	DFARS 242.7502(a) DFARS Clause 252.242-7006	FAR 16.301-3 Cost Reimbursement Contracts - Limitations
Estimating (ES)	DFARS 215.407-5 Estimating Systems DFARS Clause 252.215-7002 Estimating Business System	FAR 15.407-5 Estimating Systems
Purchasing (CPSR)	DFARS 242.7000 Contractor Business Systems DFARS Clause 252.242-7005 Purchasing System	FAR Subpart 44.302 Requirements FAR Clause 52.244-2 Subcontracts
Material Management and Accounting (MMAS)	DFARS 242.7203 Review Procedures DFARS Clause 252.242-7004 Material Management and Accounting System	N/A
Property Management	DFARS 242.7000 Contractor Business Systems DFARS 252.245-7003 Contractor Property Management System Administration	FAR 45.105 Contractors' Property Management System Compliance FAR Clause 52.245-1 Government Property
Earned Value Management (EVMS)	DFARS 234.201 EVMS Policy DFARS Clause 252.234-7002 Earned Value Management System	FAR 34.201 Policy FAR Clause 52.234-4 Earned Value Management System

Each of these systems benefits the government by increasing the reliance and consistency of information and transactions with the government. This reduces a contractor's risk in a number of different areas, including defective pricing, false claims, and payment withholdings. They also provide contractors with tools to help ensure consistency, enable efficiency, and potentially improve efficacy.

As alluded to earlier, not all requests for proposals allow assessments or audits of business systems from non-government entities to be eligible to bid or receive points for consideration. Therefore, it is essential for federal contractors to understand the various business system requirements within solicitations, and how requirements will be evaluated by the government.

It's important to note that if a draft Request for Proposal (RFP) only allows businesses to have government-approved or government-audited accounting systems or other systems, then federal contractors can submit feedback to the contracting officer to say that this potentially restricts competition. Doing so may increase the chance of the RFP getting amended accordingly when it goes final.

No matter what, though, federal contractors of all sizes should consider the benefits of having practically designed, compliant business systems, as they instill high levels of discipline and overall internal control within these critical operational areas.





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PRICING MAGAZINE CONTRIBUTOR



Daniel A. Chalfant
*Adjunct Instructor / San Diego
State University*

Daniel A. Chalfant is an Adjunct Instructor in Contract Management at San Diego State University (SDSU). He has worked in Contract Pricing and Cost/Price Analysis for over 35 years. He has a BA from University of California Santa Barbara (UCSB), and an MBA from the University of California Irvine (UCI). He is a Certified Professional Contract Manager (CPCM) and Certified Federal Contract Manager (CFCM) through the National Contract Management Association (NCMA).



Material Discount Curves

THEORY VERSUS PRACTICE

By Daniel A. Chalfant CPCM

A material discount curve measures the price reduction that occurs when quantity is increased. It is also known as an experience curve, a price reduction curve, or a quantity/price curve. Some have often referred to this effect as the “Costco Principle”—an item tends to cost less per unit as you buy higher quantities.

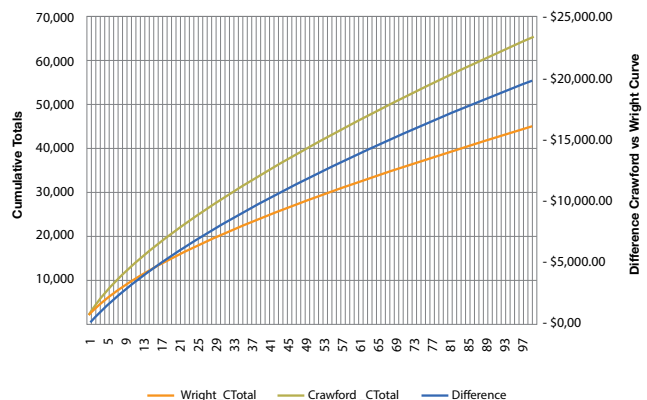
Labor Learning Curve theory is foundational to the material discount curve. Much has been written about the labor learning curve, but much less has been written about the material discount curve. Buyers often use material discount curves to negotiate prices for different item quantities. Buyers also tend to select the appropriate curve based on Labor Learning Curve theory. We believe Labor Learning Curve theory overstates the anticipated reductions in material unit prices.

To provide context for our Material Discount Curve theory, let’s review the publications that mark historical highlights in Learning Curve theory.

1936: T.P. Wright publishes “Factors Affecting the Cost of Airplanes” in Journal of the Aeronautical Sciences. His article leads to the classic cumulative average labor hour

Learning Curve theory, which is that hours per unit will decrease as quantity increases.

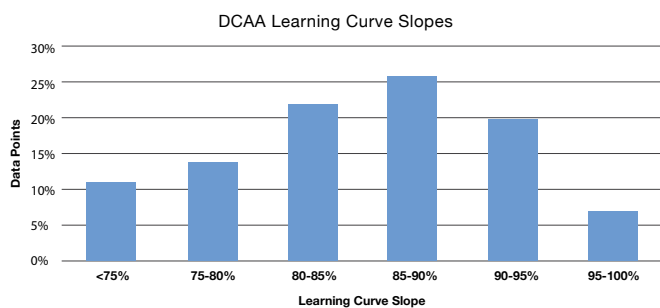
1949: A group at Stanford Research Institute (SRI) improves on the “Wright” theory. They name it the “Crawford” Learning Curve theory after James R. Crawford. It uses the unit value of labor hours instead of the cumulative value. This has since become the most popular Learning Curve theory.



1964: Fred Hartmeyer publishes Electronics Industry Cost Estimating Data . The book has one of the earliest references to Material Discount Curve theory. In his definition of the Material Discount Curve, Hartmeyer states “Material cost reductions can be projected...at different buy quantities.”

1966: Bruce Henderson publishes the “Experience Curve” theory. Henderson’s definition of the curve is that “a company’s unit production cost will fall by a predictable amount for each doubling of experience, or accumulated production volume.”

1969: The Defense Contract Audit Agency (DCAA) publishes empirical data on the learning curve and material discount curve . The DCAA report measures the actual learning curve on 443 defense contracts, and it calculates the average learning curve as an 84.9% slope. In 1983, the report is updated with the average learning curve calculated as an 84.6% slope. The 1983 report also includes 21 contracts measured only for material cost or total cost. The average for these 21 items is a 90.6% slope.



1975: The National Aeronautics and Space Administration (NASA) publishes Technical Memorandum TMX-64968 titled Guidelines for Application of Learning/Cost Improvement Curves . It includes improvement curve slope overall values by industry. The Aerospace industry average is reported as 85%. This memo also provides material discount curves by type of component for reference only. Although not specifically referenced, it is reasonable to presume that the averages are based on the 1969 DCAA study mentioned previously.

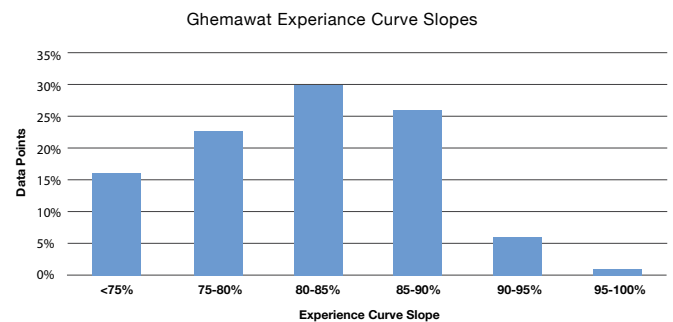
Slope by industry

Aerospace	85%	Complex machine tools	75-85%
Electronics manufacturing	90-95%	Machining or punch press	90-95%
Repetitive electrical operations	75-85%	Repetitive welding operations	90%
Raw materials	93-96%	Purchased parts	85-88%

Industrial buyers often use these industry slopes to negotiate deals with their suppliers.

1985: Theodore Taylor publishes Handbook of Electronics Industry Cost Estimating Data . This is an update to Hartmeyer’s text. Taylor includes a chapter on material discount curves, and he provides discount slopes for various material categories. Taylor’s theoretical slopes range from 75% to 95%, depending on the type of material. His material discount curves follow the same pattern as the labor learning curves in NASA TMX-64968.

Also in 1985, Pankaj Ghemawat writes the Harvard Business Review article “Building Strategy on the Experience Curve”. Having compiled data on 97 academic studies, Ghemawat calculates the average slope as 85%. He reports on the distribution of data by slope, similar to the DCAA report.



1995: Rodney D. Stewart, et. all, publishes Cost Estimator’s Reference Manual . It includes labor improvement curve slope overall values by industry that are exactly the same as NASA TMX-64968. Stewart was Chief of the Cost Analysis Office at NASA, and one of the originators of NASA TMX-64968. Although not specifically referenced, it is reasonable to presume that Stewart knew of the 1969 or 1983 DCAA study.

2004: NASA publishes their Cost Estimating Handbook . It includes improvement curve slope overall values by industry, with reference to Stewart’s Cost Estimator’s Reference Manual. When the handbook is published again in 2008, it has the same data and reference. The NASA slopes are also identical to TMX-64968.





HISTORICAL SUMMARY

Much of the published information on labor learning curves and material discount curves is theoretical. Other than the DCAA report and Ghemawat’s study, the published empirical data available is limited. Both the DCAA and Ghemawat calculated average curves of 85%.

HYPOTHESIS:

Our hypothesis is that the material discount curves will display higher average slopes than labor learning curves. We acknowledge the existence of the labor learning curve and the 85% average slope, but we do not believe that material discount curves display the same average slopes. Although labor hours or labor dollars may decrease on an 85% slope, we do not believe material cost, other direct costs, indirect costs, and profit will decrease at the same rate. Therefore, the material discount curve should have a higher average slope than the labor learning curve. Additional research on empirical data is needed to prove or disprove this hypothesis.

EMPIRICAL DATA

The previous historical summary shows the lack of published empirical data. Due to this fact, we have included unpublished information from three large Aerospace companies. The names of the three companies will remain anonymous to protect potentially sensitive information. For this purpose, we will refer to them as Firm A, Firm B, and Firm C.

These three companies analyzed recent purchase order (PO) history organized by logical material groups. The material groups were not the same across the companies, so we assigned each group to one of five higher level material groups. The five groups are based on the material discount curves chapter of Taylor’s *Handbook of Electronics Industry Cost Estimating Data*.

Taylor’s material groups and theoretical slopes are:

Material Group	Standard Electronic Components	Fabricated Parts and Standard Catalog Items	Fabricated Parts - Built to Specification	Fabricated Parts - Special Complex Items	Fabricated Parts - State of the Art
Average Slope	95%	90%	85%	80%	75%

Using the empirical data, we calculated the average actual material discount curve per group for each of the three companies and the DCAA. Here are the results of our analysis:

Material Group	Standard Electronic Components	Fabricated Parts and Standard Catalog Items	Fabricated Parts - Built to Specification	Fabricated Parts - Special Complex Items	Fabricated Parts - State of the Art
DCAA	93%	92%	91%	84%	
Firm A	83%	91%	86%	86%	
Firm B	96%	93%	91%	83%	
FirmC	96%	95%	91%	85%	

In our study, we analyzed average slopes for 246 commodity groups. Adding the DCAA data brings the total to 267 data points. The data was collected from company PO history between 2017 and 2019. We placed more weight on Firms B and C data due to their higher number of observations. We did not find any commodities that fit our definition of Fabricated Parts - State of the Art.

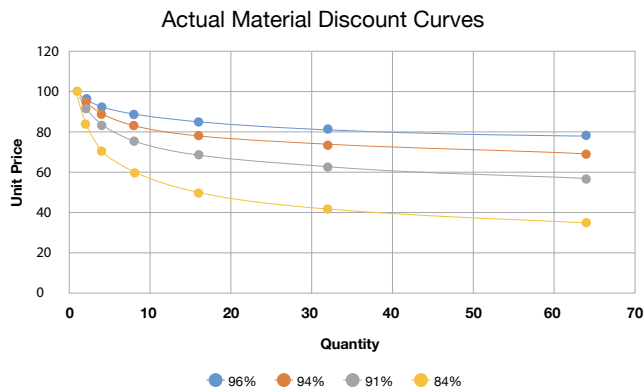
For each source in the study, the actual average slope for all material groups is as follows:

DCAA	FIRM A	FIRM B	FIRM C
90.6%	88.4%	90.8%	92.9%

The overall weighted average slope for all empirical data is 91.7%. This is a higher slope than the average Aerospace learning curve of 85%, as noted previously. The actual average curves by material group are much higher slopes than the labor learning curves.

Therefore, our hypothesis that material discount curves have higher slopes than learning curves is supported by recent empirical evidence.

We calculated the weighted average material discount curve for each of the five material groups. The following graph shows the average slope of the curve per group:



Based on the previously discussed empirical data, we recommend the following material discount curve average slopes by material group:

Material Group	Standard Electronic Components	Fabricated Parts and Standard Catalog Items	Fabricated Parts - Built to Specification	Fabricated Parts - Special Complex Items	Fabricated Parts - State of the Art
Average Slope	96%	94%	91%	84%	NA

These slopes should be applied to direct material cost, total cost, or prices being analyzed, and adjusted for differences in quantity. We recommend that the slopes be provided as guidance to buyers in analyzing and negotiation material prices.

1. *Factors Affecting the Cost of Airplanes*, Journal of the Aeronautical Sciences, T. P. Wright, 1936.
2. *Electronics Industry Cost Estimating Data*, Fred Hartmeyer, Ronald Press Co. copyright 1964.
3. *Boston Consulting Group, Experience Curve*, Bruce Henderson, 1966.
4. *DCAA Report on Improvement Curve Experience*, 1969 and 1983.
5. *National Aeronautics and Space Administration, TMX-64968*, Dr. Leon M. Delionback, 1975.
6. *Handbook of Electronics Industry Cost Estimating Data*, Theodore Taylor, John Wiley & Sons, 1985.
7. *Harvard Business Review #63, Building Strategy on the Experience Curve*, P. Ghemawat, March 1985.
8. *Cost Estimator's Reference Manual*, Rodney Stewart, John Wiley & Sons, 1995.
9. *National Aeronautics and Space Administration, Cost Estimating Handbook*, 2004 & 2008.



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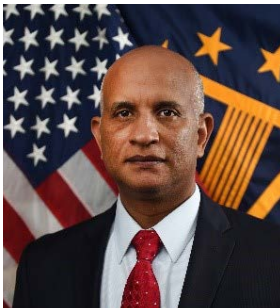
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Peer to Peer Interview



Jorge Bennett

*Executive Director of Cost and Pricing
Regional Command, DCMA*

Mr. Jorge Bennett is the Executive Director, Cost and Pricing Regional Command at the Defense Contract Management Agency. Responsibilities in this position include oversight and management of forward pricing rate recommendations and agreements, proposal pricing support for major weapon system acquisitions, commercial item determinations and pricing, and financial analysis of Defense Industrial Base contractors. He is the focal point for addressing cost and pricing issues with DoD activities, federal agencies, and defense contractors.

Mr. Bennett's civilian and military awards and honors include 2013 DCMA Leadership Award, 2011 DCMA Outstanding Personnel of the Year, Bronze Star, Defense Meritorious Service Medal, Air Force Meritorious Service Medal, Joint Service Commendation Medal, Air Force Commendation Medal, and Air Force Achievement Medal. He's also been recognized as Outstanding Officer in Contracting, Information Manager of the Year, and Squadron Officer School Outstanding Contributor.

In a recent interview with Jorge Bennett we discussed DCMA's priorities and goals for 2022, and how specifically, those initiatives affect subcontracting and small businesses.

Pricing Magazine: As the Executive Director of Cost and Pricing, tell us about some of your key priorities for DCMA cost and pricing and how they align with the DCMA Strategic Plan?

Jorge Bennett: As the agency lead for DCMA's Strategic Plan Goal 2, "Enhance lethality through affordability and readiness," my top priorities directly align to this critical area. Other priorities align with Strategic Goal 3, "Ensure Agency funds are used in alignment with Department guidance and executed in a transparent, accountable manner", and Strategic Goal 5, "Enhance and strengthen the skills, readiness, and effectiveness of the workforce."

With those three strategic goals as the foundation, my five key priorities are: 1) Develop and implement an effective organizational and management structure, 2) Identify, mine, generate, and analyze data, 3) Improve internal and external customer engagement and focus, 4) Train, professionally develop, reward and recognize the workforce, and 5) Achieve and maintain Financial Improvement and Audit Readiness (FIAR) compliance.

These priorities support DCMA's mission to provide relevant acquisition insight and deliver significant value to the Defense Department. The Cost and Pricing Regional Command (CPRC) now has responsibility for all cost and pricing mission functions within DCMA (excluding DCMA Special Programs and International). The CPRC pricing mission is very broad in scope and includes a wide range of functions. Basically everything from approving contractor business systems to recruiting, supporting, and training the next generation of pricing professionals.

There are a number of ways in which we are currently making great strides in the five key priorities I mentioned, so I'll highlight a couple as examples. Under priority one, develop and implement an effective organizational and management structure, we recently realigned all pricing personnel and Integrated Cost Analysis Group (ICAG) engineers under the CPRC (not including team members in Special Programs and International as mentioned previously). By creating a structure aligned by major contractor network and geographic location, DCMA has optimized its cost and pricing capability, fostering agile movement of workload across geographical boundaries, improving flexibility in meeting customer demand, and sharpening the focus on pricing priorities.

Under Strategic Goal 2, identify, mine, generate, and analyze data, we implemented a number of applications and tools to support our daily work throughout the pandemic. Because of this, we are now able to analyze and assess our portfolio

and project inventories, as well as the resources that are aligned to efforts. We will further evaluate the projects to identify and assign risk, complexity, and value factors and maximize our existing resource pool – regardless of geographic location.

The key priority to achieve and maintain FIAR compliance aligns with Strategic Goal 3, to ensure agency funds are used in alignment with Department guidance and executed in a transparent, accountable manner. My role as Executive Director is to understand and enforce compliance with policy and processes in support of the Department's audit readiness through our Risk Management and Internal Controls Program. We will review our organization's performance for compliance, understand root causes for non-compliance, and implement corrective action plans to mitigate control deficiencies. From an Indirect Cost Control and Negotiation Intelligence Capability Manager standpoint, my cross-functional capability teams collaborate to categorize and prioritize risks, as well as document and continuously improve existing controls to mitigate these risks and measure compliance in the field. As Agency Capability leaders, we are challenged with how to optimally balance and enable both compliance and execution. Our continuous improvement efforts focus on building audit readiness while shaping effective execution of our processes.

With respect to Strategic Goal 5 to strengthen the skills of the workforce, we will utilize our new structure to help develop well-rounded pricing professionals by expanding employee opportunities to broaden technical skills. These efforts bring with them multi-faceted results, not only related to improved competency, but also to help retain valuable talent, which in turn supports vital succession planning.

PM: DCMA's second strategic goal, to "enhance lethality through affordability" for which you are one of the Agency champions states: "We will leverage our access and proximity to the contractors' facilities, and our knowledge of the defense industrial base, to help the Department of Defense innovate, test and field advanced capabilities against a broad spectrum of potential threats." Most often, casual observers read this to mean large businesses. Can you talk about how DCMA specifically reaches out to small businesses to support their ability to help the DoD achieve its mission? Specifically, how are you in the cost and pricing community working with small businesses?

JB: While it is correct that much of our efforts are centered on major defense contractors and subcontractors, the CPRC and Agency do engage in small business customer outreach efforts. For example, members of our Specialty Pricing Group regularly attend industry forums (such as National Contract Management Association (NCMA), American Bar Association (ABA), and Government Contract Pricing Summit (GCPS)) to discuss topics like defective

pricing and cost accounting standards. Our Commercial Item Groups (CIGs) also holds monthly virtual “Office Hour” engagements which are open all contractors, including non-traditional defense vendors, where we cover topics ranging from commercial acquisition procedures to regulatory/statutory requirements. For small businesses and non-traditional defense contractors, this forum is an opportunity to learn more about conducting business with the DoD.

In addition to the CPRC’s small business outreach efforts, DCMA also has a robust small business program at its headquarters. For example, we partner in the DoD Mentor-Protégé Program (MPP) where prime contractors assist small businesses increase their overall participation as prime contractors and/or subcontractors. The Agency also has a Small Business Compliance Center with a Comprehensive Subcontracting Plan (CSP) Team. The CSP Team has been delegated authority on behalf of the DoD Office of Small Business Programs (OSBP) to administer, negotiate, and manage the CSP Test Program with the goal of reducing the administrative burden on primes while enhancing the opportunities for small business concerns under DoD contracts.

PM: What would you say are the DCMA’s key impacts from a small business perspective and what is DCMA doing to support their pricing efforts?

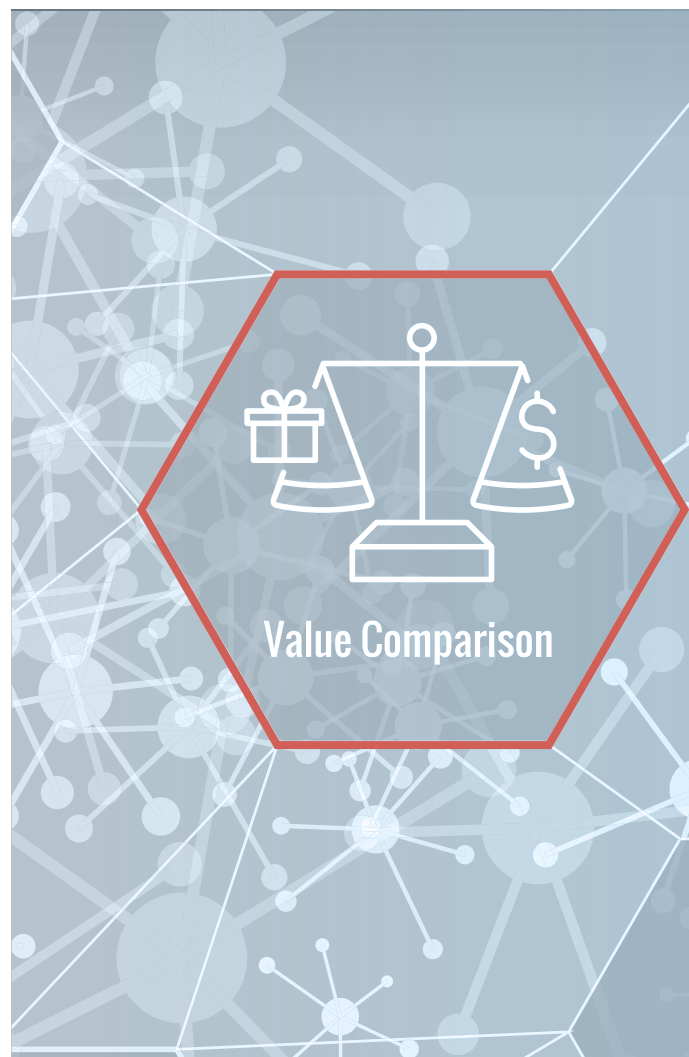
JB: As indicated before, DCMA’s key impacts from a small business perspective span several areas. We already mentioned the mentor-protégé efforts, but our Defense Industrial Base Cybersecurity Assessment Center (DIBCAC) has a continued partnership with OSD to provide small businesses information and training on their responsibilities for protection of controlled unclassified information (CUI).

In addition, our Small Business Division actively participates in the Agency’s Corporate Alliance Network (CAN) meetings to ensure that small business awareness, outreach, and support are incorporated as part of the command’s overall mission and provide oversight of annual goals for awards to small business concerns.

From a pricing perspective, the efforts of the Commercial Item Group help small businesses leverage commercial/streamlined acquisition vehicles where applicable to deliver advanced technology, goods and services to the warfighter. In addition, now that we have consolidated pricing resources under the CPRC, we have the opportunity to provide enhanced field pricing support to our customers. Lastly, financial capability reviews performed by our Specialty Pricing Group directly support the pre-award process by providing assessments outlining the financial health of small businesses in order to determine whether they have the financial resources to successfully execute DoD contracts.

PM: Tell us a little about the innovative initiatives DCMA

is using specifically in pricing to improve outcomes for your customers?



JB: We have several innovative initiatives in place designed to improve outcomes for our customers. One approach championed by the Specialty Pricing Group involves establishing a standardized process for DCMA contracting officers when evaluating General Dollar Magnitude (GDM) proposals as part of Cost Accounting Standards (CAS) administration. This initiative aims to reduce time and effort in recovering the impacts of contractor changes to disclosed practices or CAS non-compliances.

Also, the new Contract Business Analysis Repository (CBAR) has been developed, tested and will be deployed by mid-November 2021 with enhanced capability and improved functionality for data collection and analysis in the form of better reports and other relevant features. These improvements will facilitate access to pricing related data, such as rates and status of business systems, by contracting officers and other acquisition personnel for use in the negotiations, award, and administration of contracts.

Finally, in order to optimize our pricing workload analysis and resource modeling capabilities, the CPRC continues the development effort for a new and improved version of the Pricing Management Capability (PMC) tool, which is used to capture business and technical pricing case workload and cost avoidance/savings data.

PM: *There is a lot of discussion lately about acquisition practices that support the need for speed-to-contract. What can DCMA do to help contracting officers get to contract award faster, while preserving the integrity of their pricing methods?*

JB: One of our key focus areas supporting speed-to-contract efforts is early-acquisition engagement (EAE) – proactive communication early in the acquisition process to identify areas where DCMA can best focus our efforts. EAE leverages our contractor knowledge to provide our customers with acquisition insight during critical pre-award activities. We share business intelligence information to assist customers in producing more effective, clearly written contract requirements that reduce both time to award and effort to administer. Some of our most visible EAE efforts include achieving and maintaining forward pricing rate agreements (or recommendations) and providing information on cost accounting standards requirements and financial capability concerns. Other areas include sharing industry insight obtained from independent market research performed in support of commercial item determinations, delivering well-documented and timely prime and subcontractor pricing evaluations, and engaging with customers to focus resources on the most critical upcoming proposals as part of the annual overhead should cost review planning process.

Another initiative in place to help build speed into the acquisition process is the CIG's pilot where we receive requests for commerciality determinations directly from industry in advance of published requests for proposals (RFP). The goal is to get more products and services qualified as commercial items prior to RFP development. The successful pilot effort initially targeted non-traditional defense contractors. The CIG received requests to review 29 items and 1 service under this pilot effort and has determined 25 items and 1 service as commercial. The CIG subsequently issued a second round of requests from Industry that was open to any contractor (regardless of size), but focused the data call on specific product categories that were of interest to the Department. The responses to this second data call are currently under evaluation by the CIG. Lastly, it cannot be over-emphasized how important achieving and maintaining forward pricing rate agreements (and recommendations where agreements cannot be reached) are in support of "speed-to-contract" efforts. To that end, we will emphasize the use of continuous FPRAs that allows the parties to expeditiously update the FPRAs based on material changes - without the labor-intensive

efforts of reviewing all aspects of the proposal.

PM: *Some small businesses have expressed concerns that they don't get the support that large businesses receive. What would you say to small businesses about how DCMA provides overall support to them particularly in the areas of business system reviews?*



JB: As mentioned before, DCMA has a Small Business Compliance Center with a Comprehensive Subcontracting Plan (CSP) Team supporting small businesses. This team assists in providing subcontracting opportunities for small business concerns, to include negotiating yearly Comprehensive Subcontracting Plans supporting different small business areas such as HUBZone, veteran- and women-owned.

Other focus areas of the DCMA Small Business Compliance Center include conducting market research to identify small business subcontractors and suppliers, hosting "matchmaking" sessions at outreach events, and maximizing subcontracting opportunities for small businesses by reviewing, evaluating, and analyzing how well contractors' subcontracting plans and programs ensure subcontracting opportunities in support of DoD's efforts.

In the area of business system reviews, DCMA does not

differentiate between size of business in determining the level of support provided. Our contracting officers perform business system reviews in accordance with all applicable DFARS clauses and regulations. The overarching goal is to achieve compliant and effective contractor business systems where the regulations dictate that one must be maintained. To ensure fairness and consistency across the different business units, any system subject to disapproval is reviewed by a headquarters panel prior to final decision.

PM: *With DCMA and DCAA forming a Defective Pricing team to assist contracting officers in the resolution of defective pricing audits, from your perspective, how is the partnership with DCAA going and what have you learned so far when it comes to resolving defective pricing issues?*

JB: The DCAA-DCMA partnership on defective pricing is a logical extension of a relationship between the agencies that has continued for many years across many functional areas. DCMA has continuously partnered with DCAA to identify and reduce duplication of effort in the areas of forward pricing rate reviews, proposal analysis, and Contract Audit Follow-Up (CAFU) actions related to reducing the backlog of final incurred cost rate settlements. It was only natural that the agencies would partner on the new defective pricing mission to expedite the resolution and disposition of findings. Overall, the DCAA-DCMA partnership has been an outstanding experience. The sharing of information has been key to the success of the defective pricing pilot, to include walk-throughs of audit reports, reviews of supplemental data (such as certified offsets), and exchanging knowledge of contractor estimating and accounting systems. DCAA also provided training to DCMA contracting officers on the technical aspects of the defective pricing process and we continue to work closely to resolve and disposition cases.

PM: *Have you encountered any roadblocks over the past year that have stood in the way of meeting DCMA's Strategic Goal objectives? More specifically, how have you overcome the impacts of COVID so that you could continue the mission often now in virtual environments?*

JB: The global COVID-19 pandemic definitely presented challenges early-on that required DCMA to implement changes to support a virtual work environment in light of CDC restrictions. Pandemic-related travel restrictions also posed initial roadblocks. Some of our processes rely heavily upon on-site interactions with contractor personnel. This on-site presence is a cornerstone of the DCMA mission to be the independent eyes and ears of the Department. As such, the successful pivot to a virtual environment was critical in order to fulfill our mission requirements. The effective use of technology and virtual communication tools allowed us to effectively make the transition. While teaming software does not fully replace face to face, in-plant interactions it is effective enough to enable successful mission execution.



One success story that emerged from the challenges posed by the pandemic relates to our overhead should cost review (OHSCR) mission. These reviews are a critical component of our Strategic Goal 2 to enhance lethality through affordability and readiness. The reviews play a major role in reducing weapons systems costs and fostering efficient contractor operations by heavily influencing our FPRA/FPRR products. Despite extraordinary travel restrictions and resource challenges, we continued executing the OHSCR mission in a virtual capacity. In fact, we doubled our pre-pandemic output by doubling the number of scheduled OHSCRs to meet customer demand.

The past year has also posed challenges in the form of significant Agency budget and resource constraints, and CPRC was not immune to these challenges. We all know that our most vital asset is our people. Like others in our line of business, we experienced vacancies and hiring delays impacting our pricing mission. For example, we lost core contracting officer personnel in our Commercial Item Group (responsible for issuing Commercial Item Determinations), and we have experienced significant vacancies in cost monitoring roles at our Corporate and Divisional ACO (CACO/DACO) locations at a time when many major defense contractors' pricing activity is on the rise. We were able to mitigate staffing issues by restructuring and reallocating resources, reprioritizing work load, and using available overtime funds in order to continue executing our critical mission.

PM: *What are you looking forward to in 2022? What are some initiatives DCMA looks to push forward?*

JB: As we emerge from the pandemic, there is a lot to look forward to from a cost and pricing standpoint to deliver value and affordability to DoD. I am particularly excited to see the results and impacts of the Pricing restructure, both from an affordability standpoint for our customers and also



internally with the professional development of our new team members. While much of the restructure focused on the ability to be more agile in shifting workload and managing pricing resources under one leadership umbrella, our personnel will now be exposed to the Command's other mission areas, such as commercial and defective pricing, CACO/DACO and cost monitoring functions, CAS administration, financial capability and OHSCRs. This ability to step outside current boundaries and experience new pricing functions will allow our personnel to become well-rounded business and technical pricing professionals, a vital key to succession planning and maintaining our pricing capability into the future.

Our new organizational structure will also support expanding our OHSCR mission to meet increasing customer demand. Beginning in FY2022, we will begin the process of performing OHSCRs on a recurring cycle basis on major defense contractors. This will allow us to capitalize on synergies gleaned from prior OHSCRs and further influence DCMA's Indirect Cost Control capability.

In addition, we plan to make significant strides in reducing the backlog of final indirect cost rate settlements in the DCMA Contract Audit Follow-Up (CAFU) system. Our current backlog involves over \$8.4B in questioned costs, making it imperative to shift resources to disposition those audits.

I will also push to continue modernizing our tools and exploiting our data sets to capture, categorize and defend our value to the Department. We need to be able to clearly show the ROI we provide to DoD. The key to this insight lies with better integration of our data using business intelligence and data analytics. Fiscal year 2021 challenged us to roll up our sleeves and explore how we could optimize our scarce resources. In addition to COVID-19 impacts to the workforce, to the economy and to the defense industrial

base, we were faced with evolving DoD priorities and budgetary constraints. These pressures compelled us to thoroughly explore how we not only maintain, but actually expand our value proposition to the Department. As we look at FY2022 and beyond, our goal is to optimize our policies, processes and employee development to increase agility and responsiveness to the needs of the acquisition enterprise. .

PM: As industry seeks to continuously improve its ability to comply with Government compliance requirements, what would you suggest as some targeted areas where they may focus their attention on improvement? Is training and events such as the Government Contract Pricing Summit (GCPS) good opportunities to better understand the differences and alignment of ideas?

JB: Key target areas for industry focus include providing access to data and information that is readily available in their systems to expedite contracting actions. This includes providing comprehensive GDM proposals to speed the settlement of CAS issues, information to support the analysis of forward pricing rates without laborious "request for information" exchanges, technical data to the extent necessary to assist in making commercial item determinations, and adequately supported pricing proposals to expeditiously arrive at fair and reasonable pricing positions for contract award. Collectively, these efforts ultimately help to speed up the acquisition process by reducing Procurement Acquisition Lead Times (PALT) and get us to contract award faster, which is a win-win for all parties involved.

Any forum to exchange information and ideas is key to understanding differences and bringing us closer to the ultimate goal, which is to deliver essential goods and services at fair and reasonable prices for the warfighter to be successful in their mission. These forums include Government Contract Pricing Summits, National Contract Management Association (NCMA) programs, Commercial Item events, and many others. I encourage contractors and contracting professionals alike to take advantage of these opportunities to exchange information and gain a mutual understanding of DoD and industry viewpoints.

Our Growth for 2022

AS 2021 COMES TO AN END, WE REFLECT TO SEE IF WE'VE SERVED YOU WELL.

Dear Reader,

In the inaugural issue of Pricing Magazine this past February, I hoped that the pricing community would take advantage of everything we, at ProPricer, and this publication have to offer. As I review activities from the last 10 months, I felt honored by the positive reception this publication has received, grateful to the new connections we've made, and loved seeing the continued growth in our community.

We have been delighted to see and hear constructive feedback and support for our initiatives. ProPricer plans to continue to partner with universities to offer our products as a best practice tool for cost and pricing development and analysis. We anticipate these partnerships will provide more opportunities to increase workforce competence in the cost, pricing, and procurement career field.

From a publication and resource standpoint, this magazine and our Pricing Hour Webinars have provided free educational resources to so many, and we are excited to see the rising interest in attendance, readership, and content contribution.

Speaking of contribution, to the new contacts we've made this year—thank you. Our team is incredibly appreciative for those in the pricing community that have offered up thought leadership and insights to help support our goals.

To our growing community that we support—we couldn't have events like the Government Contract Pricing Summit, products like ProPricer, or publications like Pricing Magazine without a strong, intelligent group at its foundation.

Our motto here at ProPricer is “serve the customer well.” We hope that you entrust our team to continue to serve you and your organizations well, and we invite you in 2022 to engage with the new opportunities we provide for education, training, and efficiency.

Thank you for being part of this journey with us. It's an honor to serve.



Holly DeHesa

Vice President of Marketing



hdehesa@propricer.com



951-693-0440

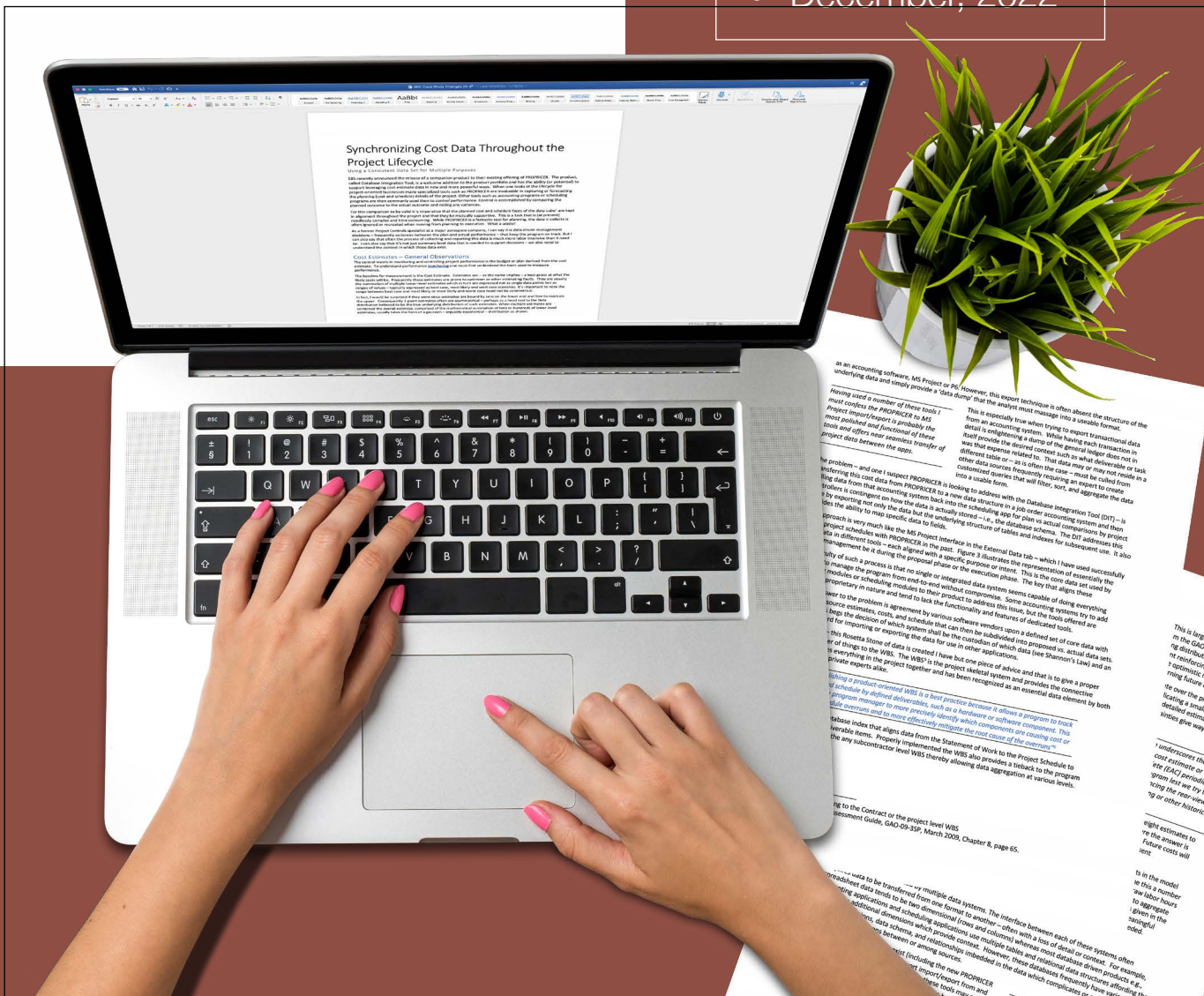
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