Selection Methodologies



Canadian Institute for Procurement and Materiel Management

- Schedule, break, lunch
- Cell phone and Blackberries
- Washroom and emergency exits
- Recycling and Trash



Introduce yourself

Where you work

What do you buy usually

Interesting fact



Topics of the morning

How to allocate points and weighting factors

Most Common Selection Methods

- Highest marks vs maximal score
- Lowest cost per ponit vs. Lowest compliant bid

Advantages and disadvantages of each method

How to avoid paying a premium

Options if you expect many bids

Variations of methods

How to allocate points

How to do it?

- instinctive method
- Percentage method

Take your example and let's try it

How to allocate points

Weighting factors for generic detailed scoring grid element

Pitfalls: Many minor criteria can outweight a major criteria

Selection Methods

Choose a method according to “best value”

A combination of:

- **price**
- **technical merit and**
- **quality**

as set out in the bid solicitation evaluation criteria and in consultation with the client authority.

Publishing a budget is dependant on the method selected.

Selection Methods

- **Lowest Responsive Bid**
- **Lowest Cost Per point**
- **Technical Merit and price (60-40, 70-30 etc.)**
- **Highest rate under the Budget**
- **Variations?**

Selection Methods

- **Lowest Responsive Bid**

Take the lowest bid that was able to meet ALL criteria and have provided or met all certification etc.

Selection Methods

- **Lowest Cost Per point**
- **Take the lowest ratio of the price divided by the points achieved. This ratio is giving an idea of the price of paid for the quality.**
- **Formula:**

PRICE(Company (x)) / Points(Company(x))

Selection Methods

- **Technical Merit and price (60-40, 70-30 etc.)**

The proposal representing the highest overall point rating for technical merit and cost is recommended for award.

Used when a technical competition combined with a price competition is desired in varying degrees of percentages.

Selection Methods

- **Technical Merit and price (60-40, 70-30 etc.)**

$$\frac{\textbf{Technical Merit}}{\text{Maximum Points}} \times \text{Weighting Factor} = \textit{Technical score}$$

+

$$\frac{\text{Lowest Bid Price}}{\textbf{Bid Price}} \times \text{Weighting Factor} = \textit{Financial score}$$

_____

= *Total score*

Maximum Points & Lowest Bid Price amounts remain constant

Selection Methods

- **Highest rate under the Budget**

The compliant bid with the highest technical score within a stipulated maximum budget is recommend for contract award.

Exemples de calcul

	Lowest Responsive	Highest Mark/ 100	Lowest Cost Per Point	60/40	70/30	80/20
A	$500	62				
B	$520	65				
C	$580	72				
D	829	80				
E	$100 000	95				

Myth or reality ?

Lowest Cost vs. Lowest Cost per Point

Technical Merit and Price (60-40) Max score vs highest score

Lowest Cost per Point = 50-50 ?

Advantages and disadvantages of Methods

Let’s take a few moment to review the advantages and disadvantages of each method

Advantages and disadvantages of Methods

Let’s take back the 80-20 calculation

What happen?
Are we supposed to award a contract to this company (E)
Can we negotiate
What to do and how to avoid?

80-20

Lessons Learned
Possible Premium

How to reduce the probability of paying a premium

80-20

How to reduce the probability of paying a premium with Math?

"Penalizing" supplier if their price is over the Median, the Average or a certain percentage of the lowest compliant bid.

Non–compliant supplier, penalyzing their price

Median what is a Median?

The Median is the *"middle number"* (in a sorted list of numbers).

3, 5, 12

Median is 5

Median what is a Median?

What is the Median?

3, 5, 7, 12, 13, 14, 21, 23, 23, 23, 23, 29, 40, 56

Even number need to do the average.

What if 200-300 Bids? For an SA or an RFP example

With the use of the Median
We could cut prices that are too high or too low.

Method used for TBIPS

GOAL

To have all price between an adjusted median +/- 40%

HOW

1- Original Median Calculation with price

2- Bid with a price below 80% of the median are non responsive

3- All the price higher and below 40% of the median are removed for the calculation of the new median.

4- Calculation of a new median. All bids removed in step 3 are put back.

5- All the price higher than 40% of the new median are not considered for this year

Variations Cost per point within 10% of the best technical bid.

In this case we would take the company with the lowest cost per point and have a technical bid within 10% of the highest technical compliant bid.

Hint: Before calculating the cost per point we would only consider the highest technical bid and all the bids that are within a 10% range.

Variations Cost per point within 10% of the best technical bid.

Example:
A: 85
B: 81
C: 76
D: 71
E: 86
F: 79
G: 76
Which companies are gonig to be considered?

Variation of methods

60-40,70-30, 80-20

- **In this variation the lowest compliant price would receive all the points!** (if the price is 150% higher than the lowest compliant bid it would obtain 0 pt for the price portion)

Formula

Score = K – (Price(x) – Prix(-) * 20/ Price(-) * 0.5

- ***(K) = 40, 30 ou 20 it is the financial weight.***
- **the factor 0.5 is the weight that we could give to price. It can be as high as 0.75**

Variation of methods

60-40,70-30, 80-20

- In an 80-20,
- Example Score= K–(Price(x) – Prix (-) * K/price(-)*0.5
- A = 100K$, B = 120K$, C = 140K$
- Calculation for B

- Calculation for C

- A = 20 pts

Variation of methods
60-40,70-30, 80-20 with prorated price

- **If the proposed price is higher than 10% of the lowest responsive price we start to penalize the price portion of the bidders.**
- **Example if the bid price is higher that 10% of the lowest cmopliant bid it will receive 90% of the value for the price portion.**

FORMULA :

(Lowest responsive price – Price(x)) / Lowest Responsive price) + 1= X

X * K (20,30,40) = financial score.

The lowest responsive bid will receive the full mark on the financial portion

Variation of methods
60-40,70-30, 80-20 with prorated price

- **Example:**
- **A= 150K$ B= 200K$ C= 210K$**
- **B Calculation**

- **C Calculation**

The End!

Thank you very much for your participation!

Is there any questions or comments?



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