Case 02 — The Price That Priced Them Out

The loss that was decided by a price band the loser never researched. Lesson: price-to-win is a position built from market evidence, not a guess — and you can lose on the high side as surely as on the low side.

> This case is a composite, patterned on publicly available debriefs and press. No company, award, or agency in it is real.

Situation

A capable IT-services company — a few hundred people, a strong past-performance record, and a leadership team that thought of itself as the quality provider in its market — had built a profitable niche performing task orders under a broad federal IT vehicle. It was good work, delivered well. The company had a reputation, and it knew it.

That reputation produced a theory of winning that, left unexamined, would cost the company a string of losses: *when the technical proposal is clearly better, the agency will pay for it.* It is a plausible theory. It is also, in best-value federal procurement, frequently false.

The solicitation

A task order competition for a large IT operations and maintenance requirement — the kind of work the company had been doing for years. The evaluation was best-value tradeoff: technical approach, management approach, and past performance evaluated against price. The solicitation said, in the standard language, that the government would consider "price realism" — that it would evaluate whether proposed prices were realistic for the work, not merely whether they were internally consistent. To a capture team that had read the market, that clause was a signal about where the agency's budget sat. To this team, it was boilerplate.

The competitors

The field was the usual mix for the vehicle: two large primes with deep benches, two mid-size specialists, and the company in question. None of them, as far as the company could tell, had a meaningfully better technical solution — which the company read as permission to compete on its reputation.

The decision

The capture team built a strong technical proposal — genuinely good, well-structured, with a real win theme and defensible discriminators. Then it priced. The pricing discussion went like this: the competitive range, on the basis of the company's experience and some half-remembered awards, seemed to be somewhere around a figure the company's cost model happened to support comfortably. The team added a premium — not a huge one, just enough to reflect the quality it believed it was offering. The premium was justified internally as "the price of being the best." No one checked the published award data for the last several years of that exact requirement and its analogues. No one priced to win. They priced to feel good.

What actually happened

The company lost. The award went to a mid-size specialist whose technical rating was, in the debrief's own words, essentially comparable — and whose price sat in a narrow band that the agency had apparently always intended to pay.

The debrief was the painful part, because it was specific. The agency explained that price realism had been evaluated: the winning offers clustered in a band that matched the agency's budgeted amount for the work, and the company's price sat meaningfully above that band. The agency's message, paraphrased, was: *your technical approach was good, but not so good that we would exceed what we planned to spend — and the winner met the requirement within the realistic range.* The premium the company had charged for being the best had priced it out of the competition entirely.

The debrief lesson

The company had read "best-value tradeoff" as "pay for quality." The agency had read it as "choose the best offer within the realistic price range." Neither reading is wrong in the abstract — the agency's evaluation factors determine which one governs, and the published record of prior awards showed which way this agency leaned. The losing team's technical rating was good but not decisively better than the winner's. In a tradeoff, a price premium is only justified when the technical difference is a true discriminator — something unique, defensible, and backed by evidence — not a baseline quality that the winner matched anyway. The company's premium was not a position. It was a hope with a spreadsheet attached.

What this teaches

> **Price-to-win is a market position, and you build it from evidence — the published award record, the agency's budget documents, the price bands of comparable competitions — not from what your cost model can support or what your ego wants to charge. In a best-value tradeoff, you can lose on the high side as surely as on the low side.**

This is the lesson of doctrine/05 made flesh: price realism cuts both ways. A too-low bid loses on credibility; a too-high bid loses on affordability. The only defensible price is one you can explain to the debrief before you lose — and the way to be able to explain it is to have researched the band the agency is actually willing to pay. Ten minutes a week on the published award record in your NAICS codes (further reading) would have saved this company its premium — and its win.