

Principles when pricing your tender

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Many people ask the question “how must we work out our tender price?”, but there is no simple answer, because every tender is different, e.g. a tender for the supply of furniture will have a different pricing structure than a tender for the supply of food for a government function. So, to provide individual pricing techniques would be exceedingly difficult.

In general, there are these ten points that must be dealt with when calculating price:

1. Price is king – ensure you price your product/service as low as possible, to stand a chance at winning a tender.
2. Be precise, when the product supplied is R 101,26 then state it in the tender response as that and not as R 101,00 or even R 102,00. Slight differences like these can amount to substantial amounts that can be lost, depending on the size of the tender.
3. Ensure that all the costs of delivering the product/service are taken into consideration; double check your pricing – something small not included can be to your disadvantage.
4. Confirm prices of goods with your suppliers. Prices can change very quickly due to increases in fuel prices or exchange rate fluctuations.
5. Always remember to add Value Added Tax (VAT) at 15% to your price, especially when it relates to Government tenders. Most tenders state that the price must include VAT.
6. Ensure that all other applicable taxes are included in the tender price.
7. Most importantly, never bid too low or too high;
 - Bid Evaluation Committees are well informed, and they will know if a bid is too low or too high;
 - Bidding too low or too high might lead to a tender response being disqualified or marked as non-responsive;
8. Law can influence pricing as well. Several industries in South Africa, such as the cleaning industry, has minimum wages payable to employees;
9. A suggestion is that if your usual mark-up is 25% then tender at 18% to 20%. Remember that you are going to save on direct costs as well as on other expenses such as advertising, telephone costs and much more. Use these savings to lower your price.
10. Remember that in Government tenders you are going to be scored on your price, and currently price counts for 80 out of 100 points for tenders for less than R50 million, and 90 out of 100 points for tenders with a value of more than R50 million. The bidder with the lowest price receives the most points.

To learn more about this and many other tender conditions attend our “Become a Tender Expert” 2-Day workshops presented in Johannesburg, Pretoria, Durban, Port Elizabeth, and Cape Town. Book and pay online at <https://howtotender.co.za/tender-expert-form/>

Contact us at estelle@howtotender.co.za should you require more information.

You can also purchase a Tender Manual (Handbook) on our website <https://howtotender.co.za/> which is a step by step guide how to respond to a South African Tender. It includes examples of completed SBD forms.