



5

METHODS

**OF PRICE ANALYSIS IN
PROCUREMENT**

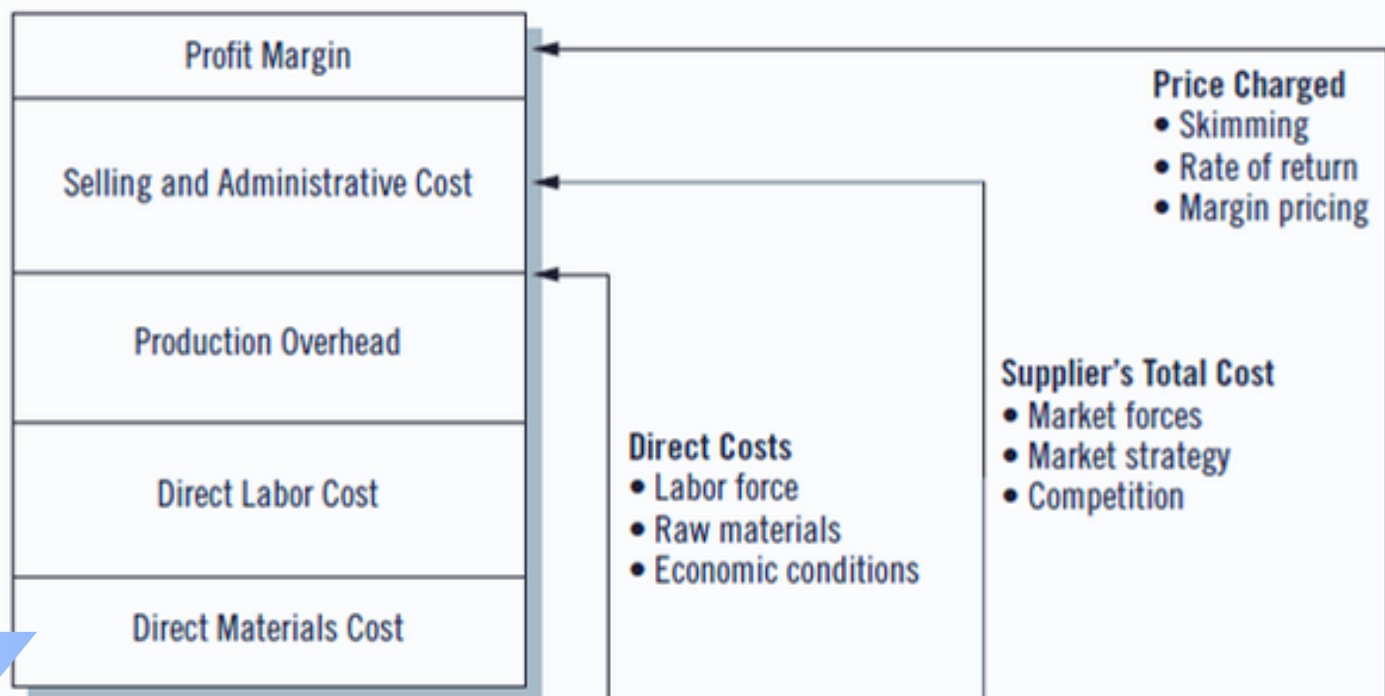
What is Price Analysis

Unit Price Analysis of the Foundation Work				
Installing 1 M3 of the Foundation Work, with the mortar of 1 Portland Cement: 4 sand (Code: SNI DT:91:0007:2007-6.2)				
Components of the Activity	Requirements	Unit	Standard Rate	Total
Mounting stone	1.200	M3	x 165,000 =	198,000.00
Sand	0.485	M3	x 160 =	77.60
II Human Resources				
Bricklayer	0.750	Man/days	x 85,000 =	63,750.00
			x 110,000 =	8,250.00
Foreman	0.075	Man/days	x 75,000 =	5,625.00
Subtotal of resources				= 167,625.00
Grand Total of unit price of Foundation work (1) + (2)				= 608,102.60
Overhead (15%)				= 91,215.39
Grand Total include overhead				= 699,317.99

Price Analysis is the process of deciding if the asking price for a product or service is fair and reasonable without examining the specific cost and profit calculations the vendor used in arriving at the price. It is basically a process of comparing the price with known indicators of reasonableness.

PRICE COMPONENTS

Elements of Price and Associated Cost Drivers



METHODS OF PRICE ANALYSIS

1

Competition Analysis

2

Analysis of Previous Prices Paid

3

Compare Prices of Public Sector
Contracts

4

Price Index

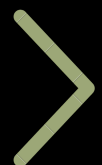
5

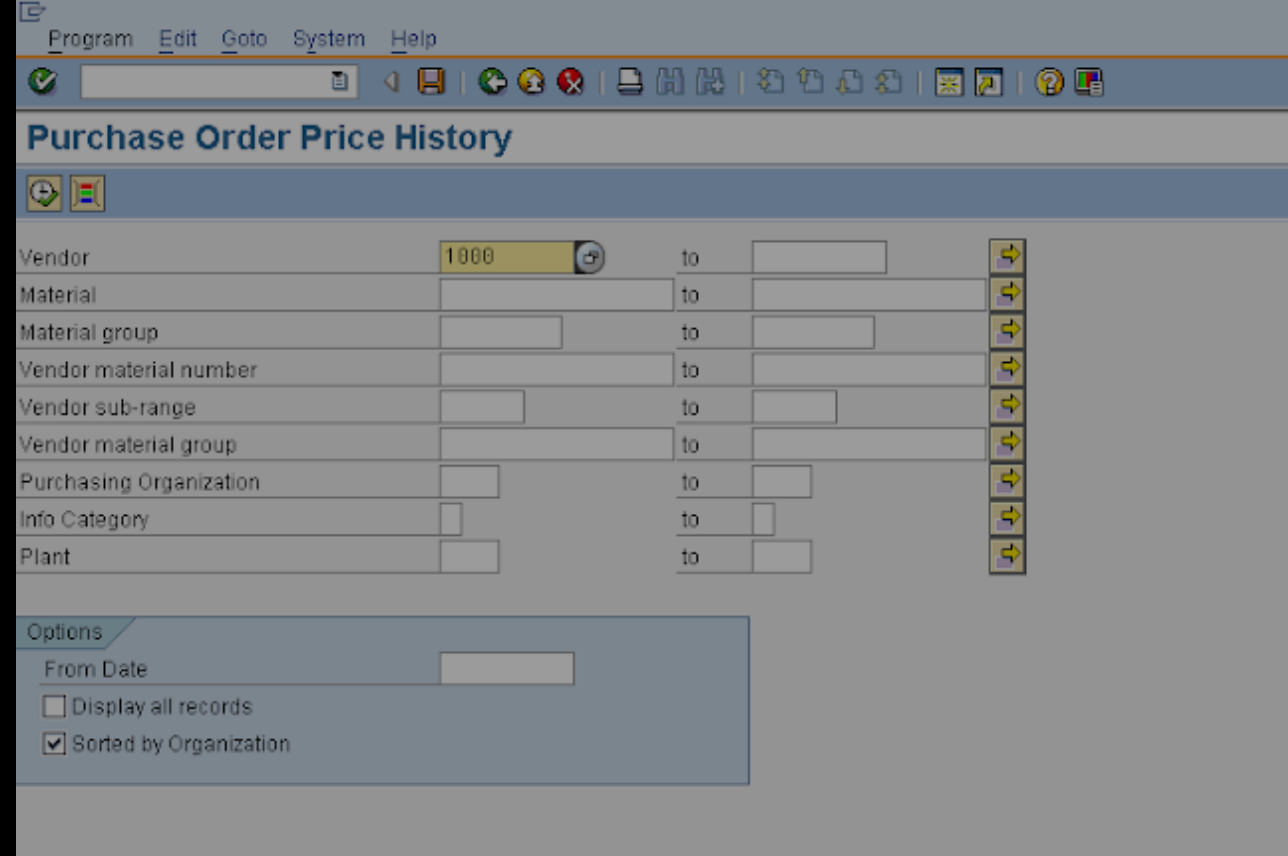
Unit Price Analysis (UPA)

	Hubspot	Marketo	Pardot	Act-On	Custom
Pricing/month	From \$1250/month	From \$1995/month	From \$1,000/month	From \$1000/month	From \$255/month
Set-up Fee	\$5,000	\$1,500-5,000	\$1,000	\$4,500	-
Support	Email and web-based support. Phone support depending on subscription level	No phone support	Separate pricing for support	All-inclusive	Per service
Lead Generation and Tracking	After opt-in	After opt-in	After opt-in	After opt-in	Leadfeeder
CRM	Native CRM. Not included with automation subscription. Also integrates with Salesforce & certified partners.	Not included with automation subscription. Integrates with Salesforce & certified partners	Salesforce CRM included	Included with Sales plan only	Hubspot CRM
Contact form and landing pages	Yes	Yes	Yes	Yes	Unbounce
Email campaigns	Yes	Yes	Yes	Yes	MailChimp
Automated lead management	Yes	Yes	Yes	Yes	Zapier, Hubspot CRM
Segmentation	Yes	Yes	Yes	Yes	Hubspot CRM
Website analytics	Yes	Yes	Yes	Yes	Google Analytics, Hotjar
Campaign analytics	Yes	Yes	Yes	Yes	MailChimp
SEO	Yes	Yes	Yes	Yes	Google Webmaster Tools, SEMrush
Social media marketing	Yes	Yes	Yes	Yes	Sendible
Social media monitoring	Yes	Yes	No	Yes	Sendible
Content marketing tools	Yes	Yes	Yes	Yes	WordPress
Dynamic content	Yes	Yes	Yes	Yes	Google Tag Manager

1. Competition Analysis

- Comparing quotations received when competitively bidding items and prices from published lists from multiple vendors is a way to determine if prices are fair and reasonable.
- Bids and listed prices within a reasonable amount of one another are considered competitive bids/prices.
- Bids that are considerably lower than their competitors should be evaluated for reasonableness.





The screenshot shows the SAP 'Purchase Order Price History' interface. At the top, there is a menu bar with 'Program', 'Edit', 'Goto', 'System', and 'Help'. Below the menu is a toolbar with various icons. The main title is 'Purchase Order Price History'. Below the title, there are several input fields for search criteria, each followed by a 'to' field and a search icon. The fields are: Vendor (with '1000' entered), Material, Material group, Vendor material number, Vendor sub-range, Vendor material group, Purchasing Organization, Info Category, and Plant. Below these fields is an 'Options' section with a 'From Date' field and two checkboxes: 'Display all records' (unchecked) and 'Sorted by Organization' (checked).

2. Analysis of Previous Prices Paid

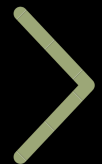
- Analysis of Previous Prices Paid: If the buying organization has purchased the same item before, the historic prices can be used
- Any increased/decreased is based on inflation and volumes to determine if the price is reasonable.





3. Compare Prices of Public Sector Contracts

- The Federal and Provincial Governments frequently buy many goods and services. Government bids are open to public inspection; as a result, a price offered by a supplier can be compared to a public sector bid.
- This would be sufficient information to determine if the price is fair and reasonable. **In indian Context we refer to Basic Schedule of Rates (BSR) for construction jobs**



12 May 2023	Share in World Index	cts/gal	\$/bbl	\$/mt	Index Value 2000 = 100	vs. 1 week ago	vs. 1 month ago	vs. 1 yr ago
Jet Fuel Price	100%	215.03	90.31	713.19	246.88	-0.6%	-13.9%	-45.2%
Asia & Oceania	22%	211.40	88.79	701.42	253.69	1.1%	-10.8%	-35.8%
Europe & CIS	28%	216.07	90.75	716.00	244.51	-0.6%	-13.5%	-42.3%
Middle East & Africa	7%	208.98	87.77	693.02	262.11	0.7%	-11.2%	-38.7%
North America	39%	216.49	90.92	718.31	241.73	-1.8%	-16.1%	-52.0%
Latin & Central America	4%	223.90	94.04	742.92	260.50	-0.6%	-15.2%	-43.8%

4. Price Index

- If the product has a published price index, then it is logical that the index will be a good guide to check if the negotiated cost is a good one.
- It would then be a matter of comparing the negotiated and index price to see if the negotiated cost was good or not.
- Price indices usually are available on the Internet under paid subscription. As an added value, these sites usually offer forecast analysis that could be helpful for ongoing procurement strategy.
- Can show trends and provide a comparison to the cost the last time the product was purchased.



5. Unit Price Analysis (UPA)

DETAILED UNIT PRICE ANALYSIS					
PROJECT	DESCRIPTION OF ITEM	UNIT	QTY	UNIT PRICE	AMOUNT
SECTION 01 - FINISHES					
PART 01 - FINISHES					
1.01 - WALLS					
1	1/2" Gypsum Board	Sq. Ft.	100	1.50	150.00
1	1/2" Drywall	Sq. Ft.	100	1.50	150.00
1	1/2" Paper Tape	Sq. Ft.	100	1.50	150.00
SECTION 02 - PAINTS					
PART 02 - PAINTS					
1	Primer	Sq. Ft.	100	1.50	150.00
1	Paint	Sq. Ft.	100	1.50	150.00
SECTION 03 - ROOFING					
PART 03 - ROOFING					
1	Asphalt/Flt Shingles	Sq. Ft.	100	1.50	150.00
1	Underlayment	Sq. Ft.	100	1.50	150.00
1	Flashed Edge	Sq. Ft.	100	1.50	150.00
SECTION 04 - ELECTRICAL					
PART 04 - ELECTRICAL					
1	120V Single Phase 20A Breaker	Each	1	100.00	100.00
1	120V Single Phase 15A Breaker	Each	1	100.00	100.00
1	120V Single Phase 15A Breaker	Each	1	100.00	100.00
SECTION 05 - MECHANICAL					
PART 05 - MECHANICAL					
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
SECTION 06 - PLUMBING					
PART 06 - PLUMBING					
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
1	1/2" Galv Steel	Sq. Ft.	100	1.50	150.00
TOTAL PROJECT COST (A + B + C)					
LABOR AND OVERHEAD (A * 0.15)					
TOTAL PROJECT COST					
Name of Bidder's Authorized Representative: _____					
Signature/Date: _____					

- The Unit Price Analysis (UPA) is a mathematical model which predicts the right cost that a product or service should have based on its specific properties or details. It's like a price calculator.
- We have access to a goal cost before starting negotiations.
- Companies have developed their own UPAs based on non-linear regression statistical analysis. You can hire their services in the same way as you sign up for Price Index sites.
- They are quite helpful when calculating complex project costs, and provide an accurate cost result for EPC projects.



DID I HELP?

LIKE, SHARE, COMMENT. SUBSCRIBE