

Pricing Strategy Basics: Government vs Corporate Contracting

Pricing is one of the most misunderstood and most critical components of winning contracts. While both government and corporate buyers evaluate price, how pricing is assessed, structured, and negotiated differs significantly between public and private sector contracting.

Understanding these differences helps businesses avoid common pricing mistakes, protect margins, and submit competitive, compliant bids.

Government Contract Pricing

Government pricing is governed by strict rules, transparency requirements, and evaluation formulas. In many cases, price is weighted heavily, or even determinatively, once technical acceptability is met.

Key Characteristics:

- Prices are often evaluated as lowest price technically acceptable (LPTA) or using best value tradeoff methods.
- Pricing must align with labor categories, wage determinations, and solicitation instructions.
- Cost realism and reasonableness may be reviewed, especially for cost-type contracts.
- Negotiation flexibility is limited once proposals are submitted.
- Pricing must be consistent across submissions and defensible under audit.

Common Pricing Components:

- Labor rates and hours
- Materials and equipment
- Overhead and indirect costs
- Profit/fee (where allowed)
- Bonding and compliance-related costs

Key Risks to Avoid:

- Underpricing to “win at all costs” and losing profitability
- Ignoring wage requirements (e.g., Davis-Bacon or Service Contract Act)
- Failing to follow pricing instructions exactly
- Misaligning pricing with scope or performance requirements

Corporate & Commercial Contract Pricing

Corporate buyers evaluate price within a broader business context, balancing cost with value, performance, risk, and long-term partnership potential.

Key Characteristics:

- Pricing is more flexible and negotiable.
- Value, differentiation, and scalability often matter as much as cost.
- Buyers may compare bids across internal benchmarks and preferred vendors.
- Pricing may evolve during negotiations.
- Contracts often include volume-based pricing, performance incentives, or tiered structures.

Common Pricing Approaches:

- Fixed-price or milestone-based pricing
- Unit pricing or rate cards
- Volume discounts
- Multi-year or phased pricing
- Bundled service pricing

Key Risks to Avoid:

- Failing to justify price with value
- Not accounting for scope creep or contract expansion
- Over-customizing pricing without margin protection
- Misunderstanding buyer expectations or procurement norms

Key Differences at a Glance

<u>Area</u>	<u>Government Contracting</u>	<u>Corporate Contracting</u>
Price Flexibility	Limited	Moderate to High
Evaluation Style	Formula-driven	Business-driven
Negotiation	Minimal post-submission	Often ongoing
Compliance Impact	High	Moderate
Margin Control	Tighter	More flexible
Value Narrative	Secondary to compliance	Critical

How Quin-Z Supports Pricing Strategy

We help clients:

- Understand solicitation-specific pricing requirements
- Align pricing with evaluation criteria
- Balance competitiveness with sustainability
- Identify pricing red flags before submission
- Prepare pricing narratives and assumptions (non-legal, non-financial)
- Coordinate pricing strategy with technical approach

NOTE: Quin-Z does **not** set prices, provide financial advice, or negotiate pricing on behalf of clients. Our role is to support pricing readiness, structure, and strategy.