Best Value Basics II

Isaac Kashiwagi
Kashiwagi Solution Model Inc.
- Delicious
- Easy and convenient
- High in calories + sugar
- Low in nutrients

+20lbs
People Are a Part of Reality

- Education
- How I was raised
- Strengths/weaknesses

Bill Gates

Isaac

Michael Jackson

Isaac

Change

Control
Management, Direction, and Control

Non-Expert

Buyer

Supplier

Expert
Utilization of Expertise

Non-Expert

Buyer

Supplier

Expert
The Challenge

• Buyer is not a technical expert.

• Buyer does not understand what an expert does.

• How will the buyer know who an expert is?

• How will the expert simplify something complex to the buyer?
When It’s Complex

- Client’s need to trust increases.
- Client fear, stress, perceived risk increases.
- Client thinking increases.
- Client decision making increases.

- Communication (Meetings, emails, phone calls, admin costs, etc) increases.
- Management, Direction and Control increases reducing the utilization of expertise.
Solution: Language of Metrics

• Simple and requires no technical expertise to understand.
• Non-bias or subjective.
• Relative, specific and comparative.
• Supported by documented performance.
• Predictive of future performance.
Show Your Expertise
Four Phases of PIPS

0 Pre-Qualification
   Education
   Pre-qualify

1 Selection
   Dominant
   Simple
   Differential
   (non-technical
   performance
   measurements)

2 Clarification
   Clarification
   Technical review
   Detailed technical
   schedule
   Milestone schedule

3 Execution
   Risk Management
   Quality Control
   Quality Assurance
   (WRR / DR)
Best Value RFP

- Represents what the client “thinks they want”.
- Can include full specifications or just a vision.
- Specs, budget, current conditions, etc. does not have to be 100% accurate.
Selection Criteria & Weights

- Level of Expertise 30%
- Risk and Risk Mitigation 20%
- Value Added 10%
- Price 10%
- Interview 30%
Selection Criteria & Weights

- Level of Expertise: 30%
- Risk and Risk Mitigation: 20%
- Value Added: 10%
- Price: 10%
- Interview: 30%
Project Submittals

• Level of Expertise, Risk Assessment, Value Added
  – Two pages
  – Claims and verifiable performance metrics
Traditional Performance

• Company “A” will provide an experienced project manager, who has delivered many large IT projects with complex systems. In past projects he has received very high client satisfaction with incredible performance.
Traditional Performance

• Company “A” will provide an experienced project manager, who has delivered many large IT projects with complex systems. In past projects he has received very high client satisfaction with incredible performance.

• He has 20 years of experience, is certified in project management, and has participated in over 30 projects.
Expert Performance Metrics

Company “A” will provide a PM who is:

**Experienced with Large Projects**
- # of projects: 5
- Largest project budget: $1.5 Million
- Average project budget: $500K

**High Performing**
- Average Customer Satisfaction: 9.8
- Average Cost deviation: 2.5%
- Average Schedule deviation: 0%

**Experience with Complex Projects**
- Average # of interfacing software packages: 4
- Average # of transactions per month: 10,000
- Average # of departments/users: 10 departments / 100 users
# Match performance and Client Requirement

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Client Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Projects</td>
<td>1</td>
</tr>
<tr>
<td>Type</td>
<td>ERP</td>
</tr>
<tr>
<td>Average budget</td>
<td>$ 2.5 M</td>
</tr>
<tr>
<td># of employees serviced</td>
<td>1,000</td>
</tr>
<tr>
<td>Transactions / month</td>
<td>10,000</td>
</tr>
<tr>
<td>Existing interfacing software</td>
<td>3</td>
</tr>
<tr>
<td># of departments</td>
<td>6</td>
</tr>
</tbody>
</table>
# Match performance and Client Requirement

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Client Requirement</th>
<th>Vendor’s Project Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Projects</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Type</td>
<td>ERP</td>
<td>ERP</td>
</tr>
<tr>
<td>Average budget</td>
<td>$ 2.5 M</td>
<td>$ 3.0 M</td>
</tr>
<tr>
<td># of employees serviced</td>
<td>1,000</td>
<td>800</td>
</tr>
<tr>
<td>Transactions / month</td>
<td>10,000</td>
<td>12,000</td>
</tr>
<tr>
<td>Existing interfacing software</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td># of departments</td>
<td>6</td>
<td>5</td>
</tr>
</tbody>
</table>
Project Execution

• How does a “non expert” / client know:
  – Expert product is high quality and value?
  – During the project the Expert is performing and the project is going well?
Simple Expert Plan
[Performance and Risk]

Lack Information

Other Stakeholders
[Client, 3\textsuperscript{rd} party, etc]

Project Start

Expert Estimate

Milestones [metrics]

Mitigation Plan

Project End

Deliverables [metrics]
Performance Metrics

| Project Start | End |

Milestones
Mitigating Risk [Lack of Info]

Risk 1: # of transactions each department requires is unknown. Vendor budgeted 5,000 per month due to past clients.

Mitigation:
- Vendor will implement system on May 2nd and will be capable to measure transactions per month June 1st.
- By July 5th, vendor will confirm # of transactions required.

Impact: If transactions exceed 7,000 transactions per month an additional $3,000 will be required.
Mitigating Risk [other stakeholder]

Risk 2: Client Department “A” will need to have their key personnel trained on the new system by May 21st

Mitigation:
• Estimated that 10 of the key personnel will need to be trained. Training requires a 3 day commitment. Vendor will provide flexible training between May 1st - 21st.

Impact: Each day past May 21 that all key personnel are not trained will impact schedule 1 day and cost $5,000.
Simple Expert Plan

Lack Information

Other Stakeholders [Client, 3rd party, etc]

Project Start

Expert Estimate

Mitigation Plan

Project End

Milestones [metrics]

Deliverables [metrics]
Minimizing Client Thinking, Need to Trust, Decision Making and MDC
Resolve Issues

Issue:
• There were too many outages.
• Not invoicing university clients in a timely manner.
• Double billing for work being performed.

Metrics:
– # of outages: reduced from 37 to 11
  • % caused by vendor: 0%
– Average time to invoice: 21.5 days.
  • Contract agreement 30 days.
– # of double billings: 29 out of 1,400
  • % caused by vendor: 0%
Client Misperceptions

**Issue:** Under performing food service provider

- Decrease in revenue **$1.01M.**
- Decrease in 666 meal plans.
- Dissatisfied students 4.8/5 to 4.65/5.

**Metrics:**

- # of mandatory meal plans decreased **775** (Client decision).
  - Estimated loss in revenue **$1.38M.**
- Contribution to University: **$1.6M.**
  - University profit before vendor: **$0.5M.**
- Increase in pricing due to less meal plans.
  - Student satisfaction began to decrease.
Traditional “Expert”

Conditions:
– 2 air conditioning units are leaking refrigerant.
– Not performing optimally.
– Increased energy costs.

Advice:
– **Costly Option** - Refill units with refrigerant.
– **Cheapest Option** - Buy new units.
Energy Savings

- 4 months energy is in high use.
- +$150 average due to A/C.
- Decrease of 5% - 10%.
- Total cost savings $30 - $60 / year

Energy Costs

- 2011
- 2012
- 2013
- 2014
- 2015
# Air Conditioning Metrics

<table>
<thead>
<tr>
<th>#</th>
<th>Options</th>
<th>1 year</th>
<th>10 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Replace units w/ energy savings</td>
<td>$300</td>
<td>$3K</td>
</tr>
</tbody>
</table>
## Air Conditioning Metrics

<table>
<thead>
<tr>
<th>#</th>
<th>Options</th>
<th>1 year</th>
<th>10 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Replace units w/ energy savings</td>
<td>$300</td>
<td>$3K</td>
</tr>
<tr>
<td>2</td>
<td>Refill refrigerant</td>
<td>$100 - $250</td>
<td>$1K – $2.5K</td>
</tr>
</tbody>
</table>
Air Conditioning Metrics

Expert Advice:
1. 2 units not working due to leaking refrigerant.
2. Size of Leak is unknown.
3. Refill with refrigerant this year.
4. Check refrigerant leak yearly.
5. If leak increases, look into replacing units.

<table>
<thead>
<tr>
<th>#</th>
<th>Options</th>
<th>1 year</th>
<th>10 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Replace units w/ energy savings</td>
<td>$300</td>
<td>$3K</td>
</tr>
<tr>
<td>2</td>
<td>Refill refrigerant</td>
<td>$100 - $250</td>
<td>$1K – $2.5K</td>
</tr>
</tbody>
</table>
The Phone Plan Decision

Kashiwagi Family needs a phone plan

- **5 people**
- Currently uses **T-mobile**
- Average use **1- 2 GB** per person
- **1600 minutes**
- Lots of text
- International travel.
Marketing and “new deals”

AT&T MOBILE SHARE® VALUE PLANS
Introducing our best-ever pricing

*Includes unlimited messaging from the U.S.; Messaging capabilities and rates vary by country.

Switch to Sprint and get:
- 20 GB to share
- Unlimited talk and text
- Only $100 for the entire family
- Up to 10 lines

Limited time
Get a bonus 2GB on all devices for only $100/mo. for your whole family — up to 10 lines!

Group Save Discounts
Save up to $90 each month when you add new eligible lines to your account.

1st Line
2nd Line
3rd Line
4th Line
5th Line

$10 Off
$20 Off
$30 Off
$30 Off

= $90 Total Savings
with 5 eligible lines

4 lines for $100, now with 10GB of 4G LTE data

What does T-Mobile have that AT&T doesn’t? Four lines with unlimited talk and text plus 10GB of 4G LTE data, that’s 2.5GB for each line, per month until 2016—all while on our data strong network. Plus no domestic overages and no annual service contracts. So why not switch to T-Mobile today!
Cell Phone Providers

- T-mobile is recommended based off of data.
- T-mobile coverage is 2\textsuperscript{nd} lowest. But family has had no problem with coverage in past.
- To increase coverage it would cost $600 almost 50\% increase to cost.

<table>
<thead>
<tr>
<th>5 Phone Plan</th>
<th>T mobile</th>
<th>Cricket</th>
<th>AT&amp;T</th>
<th>Verizon</th>
<th>Sprint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Cost Per Year</td>
<td>$1320.0</td>
<td>$1920.0</td>
<td>$2100.0</td>
<td>$2725.0</td>
<td>$2700.0</td>
</tr>
<tr>
<td>*Overall Rating (1-10)</td>
<td>8.6</td>
<td>8.0</td>
<td>8.0</td>
<td>8.7</td>
<td>7.5</td>
</tr>
<tr>
<td>Coverage Score</td>
<td>6.8</td>
<td>9.0</td>
<td>9.3</td>
<td>10.0</td>
<td>5.5</td>
</tr>
<tr>
<td>4G Data (GB)</td>
<td>2.5</td>
<td>2.5</td>
<td>2</td>
<td>2</td>
<td>1.0</td>
</tr>
<tr>
<td>International Text</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>Unlimited</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>International 3G Data</td>
<td>Unlimited</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
“The Best Value Approach”

Isaackashiwagi@ksm-inc.com
Website: KSM-inc.com
Youtube: KSM Leadership

2016 BV Conference
United States, Tempe, AZ
Jan 19-22 2016