

Bid Comparison Sheet

The lowest bid is rarely the lowest cost. This normalizes competing proposals onto the same basis so you are comparing the same thing before you score anything.

WHY BIDS ARE NOT COMPARABLE AS SUBMITTED

Suppliers price to their own structure. One bundles implementation, another itemizes it. One quotes three years, another quotes one and assumes renewal. One excludes the data migration you will definitely need. None of them are being dishonest. They are answering the question in the way that shows them best. Normalizing is your job, not theirs.

THE EIGHT COST ELEMENTS

ELEMENT	WHAT TO CAPTURE
Contract price	The quoted recurring or unit price over the full term, at realistic volume.
Implementation	Onboarding, configuration, integration, data migration, training. Ask explicitly what is excluded.
Transition	Running two suppliers in parallel, decommissioning, internal effort. Highest where the incumbent is not bidding.
Internal administration	Effort to manage the contract: invoicing, reporting, governance, exception handling.
Price escalation	Indexation, uplift caps, rate reviews. Model the term, not year one.
Risk and insurance	Cost of covering the gap between their liability position and your standard.
Exit cost	Notice, data extraction, disentanglement. Price it now, while you still have leverage.
Value adjustments	Rebates, volume tiers, service credits, committed savings. Only count what is contractual.

WORKED EXAMPLE

Bidder A quotes **\$820k** over three years. Bidder B quotes **\$910k**, an 11% premium, and the obvious loser on price. Normalized: A excludes a \$140k data migration and caps annual uplift at CPI+3%; B includes migration and caps uplift at CPI. Over three years, A lands at **\$1.04M** and B at **\$0.95M**.

The cheaper bid was 9% more expensive. Nothing was hidden. It simply was not asked for in a comparable form.

RULES FOR NORMALIZING

- **Use one term and one volume for everyone.** Usually the base term with no assumed renewals, at realistic rather than optimistic volume.
- **Ask for exclusions in writing.** "What is not included in this price?" is the highest-yield clarification question in sourcing.
- **Price the assumptions.** Where a bidder assumes you will supply something, cost your side of it and add it in.
- **Show your working to the bidders.** A supplier given the chance to correct a normalization error will usually take it, and you get a better number.
- **Only then score.** Normalized total cost is the input to the scorecard, not a substitute for it.

THE COMPANION SPREADSHEET

The Excel version totals all eight elements across four bidders over a three-year term, and shows each bidder's normalized cost against the lowest headline price, the gap that usually decides the award.