



TENDER ANALYTICS (2): RELATIVE IMPORTANCE OF PRODUCT QUALITY VERSUS PRICE IN MEDICAL CAPITAL EQUIPMENT TENDERS

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INTRODUCTION

Medical Devices (and in particular Medical Capital Equipment) are important tender businesses. According to MEAT (Most Economically Attractive Tender) principles, a set of attributes are selected to evaluate the tender submission. Each attribute will have a pre-determined weight. In order to win the tender the manufacturer has to perform according to these weighted attributes. However, in a pre-tender assessment phase it can be challenging to understand the manufacturer's relative position versus other bidders and how differentiating the bid needs to be to win. In this research we will review the relative importance of Product Quality/Features versus Cost/Price.

METHODOLOGY

In order to give insight into overall important tender trends in Medical Capital Equipment, we have analyzed win/loss projects including 37 tender Post Decision Interviews in medical capital equipment, ranging from MRI to Ultrasound in various countries and hospital types. In our sample we included 28% tenders won, 72% tenders lost. In this meta analysis we grouped 15 numerical and coded questions across projects.

RESULTS

Delta for winning

In order to be better than the competitor there needs to be differentiation. We have measured the difference between ratings (0-10 scale) off the winning brand versus the runner-up brand. Our analysis indicates a higher difference for the winning brand in relation to Price (2,1) versus Product Quality (1,6) (Figure 1). This might indicate that Cost/Price is perceived more differentiating versus Product Quality.

Winners are not always the best in everything

When looking at the difference between winners versus runners-up it show that Product Quality of the winning brand rating is Equal or Less in 32% versus runner- ups. Additional, in 21% of the winning bids the Price was rated Equal or Less compared to the runner-up (Figure 2). Again indicating that price can be a more differentiating element in your tender submission.

Winners have a better correlation between Product Quality and Price

Interestingly there seems to be a correlation between the Product Quality rating and the Price rating. When looking at the winners we see a modest positive correlation ($R^2=0,37$) compared to no correlation for the runner-up ($R^2=0,02$) (Figure 3 & 4). These correlations would suggest that there needs to be a match between the offered Product Quality and the Price in order to win a tender.

CONCLUSIONS

Our tender analysis shows that winning tender submissions get rated higher on both Product Quality and Price attributes. However, we also see that winners do not always score higher on both attributes. Pricing seems to be more differentiation versus Product Quality. Data suggests the correlation between perception of Product Quality and Price can be an indicator for winning a tender. Winners have a moderate correlation. The Runner-up tends to not have a correlation, indicating that Product Quality and Price are not aligned.

Rating of Winning vs Runner-up Brand

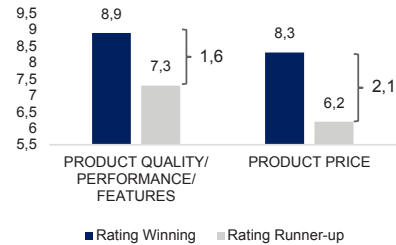


Figure 1. Difference in rating between winning versus runner-up brand on Product Quality and Price

Winners % of attributes being rated better or equal/less vs runner-up

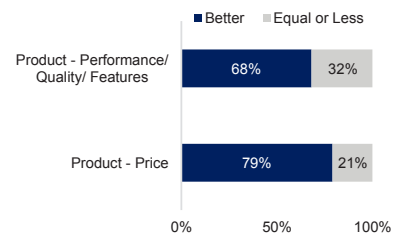


Figure 2. % of winning bid scoring better or equal/less on Product Quality and Price

Winners Quality score vs Price score

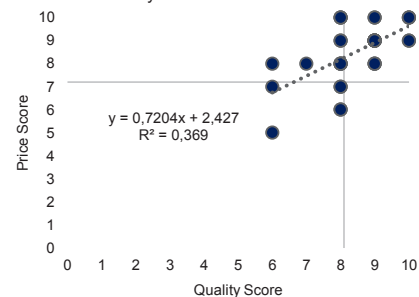


Figure 3. Correlation between Product Quality and Price Score for Winning bids

Runner-up Quality score vs Price score

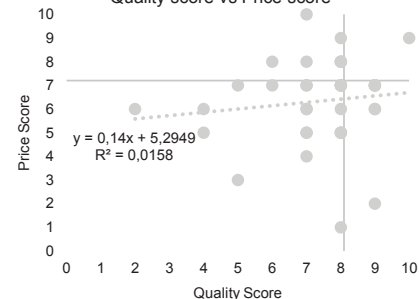


Figure 4. Correlation between Product Quality and Price Score for Winning bids and Runner-up Bids