

DEFINITIONS for Price Justification Terms

Competition

Two or more responsible offerors (suppliers & vendors), competing independently, submit priced offers that are responsive and satisfy our stated requirement(s). We can include consideration for best value procurements where price is a substantial factor. Competition is considered the best way to insure prices are good.

Another Definition: An environment of varying dimensions relating to buy-sell relationships in which the buyer induces, stimulates, or relies on conditions in the marketplace that cause independent sellers to contend confidently for the award of a contract.

Historical Pricing

Price history, usually the last price paid when we bought an item or service, is used to evaluate a current offer/price. You make the assumption that previous buys were analyzed and justified adequately so you may compare the current price proposed with the price previously accepted. If this is not the case then you need to analyze the basis of the previous pricing, perhaps there was a need to expedite the item or we had to buy in less than normal production quantities. In many cases we use a price index to analyze or track changes in prices received from the initial commercial purchasers of products.

Market Survey

This includes formal market surveys like request for quotes to informal market surveys that consist of reviewing pricing in a published catalog, reading a business publication like the Wall Street Journal which covers general market data, knowledge of trade & user associations that publish useful market indexes or journals, informal telephone quotes, or current knowledge gained from recent purchases of similar items or services that were open to the "market".

Value Analysis/Visual Analysis

Knowledge of the product, its functions, and the use to which it is to be put is essential for value analysis. Use this technique for low priced items and you determine whether the product, as it is now constituted, is the best product in terms of value. Visual analysis is similar & is commonly called eyeballing, description your inspection of an item to come up with an estimate of its probable value. Both value & visual analysis are closely related and should flag unrealistically high prices for common items.

Preferred Provider

A listing of firms maintained by SMU Purchasing that includes a range of items like computer supplies, electrical supplies, florists, plumbing supplies, ground supplies, hotels, household goods movers, janitorial & custodial supplies, office supplies, paint supplies, paper, parking, pool supplies, ad specialty, & shipping. Any firm selected from this listing maintained at http://www.smu.edu/procurement/providers_commodity.asp will need no further competition. **Any other firms not listed are not to be considered Preferred Providers.**

Buying Consortiums

SMU participates with five buying consortiums, **E&I** – Educational and Institutional Cooperative Service, Inc. (www.eandi.org -password required); **Horizon Resource Group**, (www.horizonrg.com -password required); **TCPN** – Texas Cooperative Purchasing Network, www.tcpn.org; **U.S. Communities** (<http://uscommunities.org>), and **MiCTA** (<http://www.micta.org>). You will find a wide range of supplies and services available. Any firm selected from one of the five buying consortiums will need no further competition. **Contact Terry Conner at x84909 for passwords.**

Sole Source

A firm that is characterized as **the one and only source available**, regardless of the marketplace, possessing a unique and singularly available performance capability for the purpose of contract award. Documenting a sole source should include rationale that addresses criticality, uniqueness of the item/service or requisite capabilities required of the vendor/firm, why full & open competition is not possible, impact to your program or effort if the item is not procured from the requested source, and/or exigency.

Fairness & Reasonableness of Price

A price that is fair to both the buyer & seller, considering the agreed-upon conditions, promised quality, and timeliness of contract performance. Although generally a fair and reasonable price is a function of the law of supply and demand, there are statutory, regulatory and judgmental limits in the concept. Competition is the best way to make sure that the resulting contract price is not rigged in favor of either buyer or seller, and in fact, results from the impartial working of the marketplace.

For further explanation of terms, contact Purchasing.