Commerce Decisions

How to Calculate the MEAT

(Most Economically Advantageous Tender)

With over 15 years' experience in delivering best possible outcomes, our expert services team are on hand to help you select and prove through testing the best approach for your project.

Below we give a brief introduction to each of the markedly different formula-based approaches you can use to calculate overall bid scores that rank your bids and identify the Most Economically Advantageous Tender (MEAT).

Value for Money (VfM) Index

$$Tender\ MEAT\ Score\ =\ \frac{Quality\ Score\ (\%)}{Price\ or\ Cost\ (£)} \qquad VfM\ Rating\ of\ 0.375\ =\ \frac{75}{£200k}$$

This formula (or its reciprocal) is widely used in public procurement across the European Union, North America and by some UK Government Departments. Also known as 'bang per buck'.

Note: Quality includes all non-cost scored award criteria and is typically scored as a percentage out of 100%.

Weighted Value for Money (WVfM) Index

$$Tender\ MEAT\ Score\ =\ \frac{Quality\ Score^{\left(\frac{quality\ weight}{price\ weight}\right)}}{Price\ or\ Cost\ \ £} \qquad WVfM\ Rating\ of\ 3.248 = \frac{75^{(60/40)}}{£200k}$$

This formula is an adaption of the Value for Money Index formula (above), that allows price/cost or quality to be weighted, by raising the quality score to power greater than 1 (i.e. favouring quality) or less than 1 (i.e. favouring price)

Note: In this example the quality/price ratio is 60:40 (i.e. 60% weighting on quality and 40% weighting on price).

As with the 1st formula, quality is typically scored as a percentage out of 100%, irrespective of the % weight attributed to its importance.

Willingness to Pay (WTP)

$$Tender\ MEAT\ Score\ =\ \ Price\ or\ Cost(£) - (Quality\ x\ 'b') \qquad Cost\ Rating\ of\ £50k\ =\ \ £200k - (75\ x\ £2k)$$

RVfM/WTP has been successfully used on procurements valued from £5M to £5bn.

Note: 'b' is the Authority weighting or multiplier chosen to favour price or quality, sometimes referred to as the 'Willingness to Pay Gradient'

Relative (Percentage) Assessment

$$Tender\ MEAT\ Score\ =\ \left(\frac{lowest\ bid\ price\ tendered}{individual\ bid\ price\ tendered}\right) x\ price\ weight\ (60\%)\ +\ quality\ score\ x\ \ quality\ weight\ (40\%)$$

We believe it is important to recognise that different mathematical formulas combine the quality scores of bids and bid prices differently. In certain scenarios, such as when scores and prices are close, it is possible that **one formula may select a different winning bid than another formula**, even when all other conditions in the competition are the same. Choosing the right formula for any competition is therefore a key decision that needs to be tested, as it can be material to the outcome.

MEAT Jargon Buster

Absolute Formula: Any MEAT formula that does not utilize information from other submitted bids as a reference point. In other words, the overall MEAT score calculation depends only on the cost/price and quality of a given bid.

Relative or Comparative Formula: Any MEAT formula that utilizes information from one or more other submitted bids as a reference point. In other words, the overall MEAT score calculation depends on the cost/price and quality of a given bid AND the information in another bid, such as the overall lowest submitted bid price.

Weighting: In the context of MEAT formula, this refers to the *Price-Quality Ratio*. There are multiple references in Public Contracting Regulations 2015.

Price-Quality Ratio: This is the emphasis or high-level *Weighting* that an Authority identifies, tests for suitability and publishes as part of the award criteria in tendering instructions. There are two references in Public Contracting Regulations 2015. Some MEAT formulas cannot vary the price-quality ratio.

Gradient (classic): The measure of the steepness of a slope. Vertical distance divided by horizontal distance.

Willingness to Pay (WTP) Gradient: Shown as '*b*' in the 3rd formula, previous page. The amount of money an Authority is 'willing to pay' for a 1% increase in the quality score of a tender, assuming quality is scored out 100%. Or, money divided by quality.

Linear: Able to be represented by a straight line on a graph.

MEAT Formula (and Value for Money) Linearity: The value for money linearity between quality (value) and price (money) can vary according to MEAT formula. This is known to be significant in determining the winning bid.

Characterising the Four MEAT Formulas

	Nature of the formula	Formula can be weighted	VfM relationship between cost and quality
Value for Money Index	Absolute	No	Linear
Weighted Value for Money Index	Absolute	Yes	Non-Linear
Willingness to Pay (RVfM)	Absolute	Yes	Linear
Relative (Percentage) Assessment	Relative	Yes	Non-Linear

Critical flaw in formula that potentially adds risk to any tendering process
Implication of this formula attribute needs consideration and care (e.g. mitigating actions) when employed
A normally positive formula attribute

Unsure which is the right formula for your project?

Get in touch and we'll help you select, and prove through testing, the best approach for your project

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