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GETTING THE BEST OUT OF THE RFP PROCESS A BUYER'S GUIDE

In association with



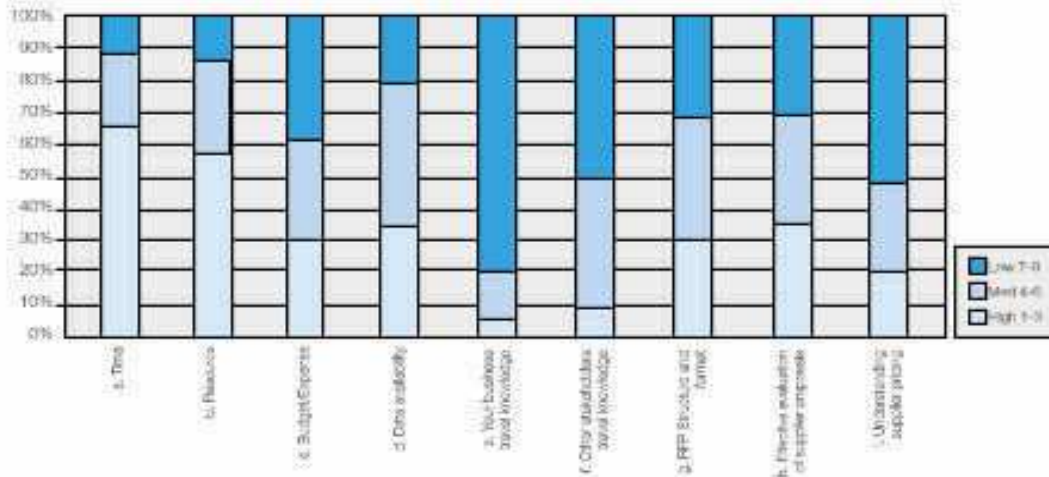
Why is an RFP (Request for Proposal) so important?

1. Expense

An RFP is an **expensive, time-consuming** process for buyer and supplier alike. Staging an RFP to choose a supplier takes an average 55 manpower days for a buyer, while more complex bids can be double that. A well prepared RFP allows buyer and supplier to get through the process quickly and spend the time on building a partnership that achieves tangible results.

Source: ITM Research April 2006

Q. List in order of priority the biggest challenge that you face during the RFP process across all suppliers?



Comment: Biggest challenges are time, resource and data.

2. Relationship

An RFP **clarifies goals, defines administrative and financial arrangements** and sets the tone for **good communications** and a **constructive relationship**. Therefore, a successful RFP ensures the buyer receives the right service from the right supplier at the right price. Get an RFP wrong, however, and it is very likely the resulting contract will also head down the wrong track.

3. Crystallisation

RFP's are a highly effective means of formulating strategy. By preparing an RFP thoroughly, buyers gain a **much better understanding** of the contract under review and how they can improve it.

TIP: One of the first questions a buyer should ask is: 'Why am I going out to tender?' If the answer is that it is standard procedure to tender on a regular basis, this is not necessarily a good enough reason. If the incumbent is performing well, it may not be worth spending time and money on a full RFP. Try a benchmarking exercise instead to confirm that the incumbent's performance is to a quantifiably high standard.

What should an RFP contain?

- * Project overview
 - detailed overview of current contract arrangements
 - scope of RFP
 - administrative information e.g. schedule
- * Business objectives
- * Management requirements
- * Pricing
- * Supplier qualifications/references
- * Contract agreement
- * Appendices - graphics, tables, supporting material

(Sources: Request For Proposal - A Guide to Effective RFP Development, Bud Porter-Roth; Lanyonbid)

Information provided by the buyer - general

- * Company overview
- * Comprehensive overview of current contract
- * Current business environment
- * Contract objectives
- * Clearly defined and measurable requirements
- * Purpose and scope of RFP
- * RFP instructions/guidelines
- * Evaluation and selection criteria
- * Fee requirements
- * Additional services required
- * Confidentiality agreement

Information provided by the buyer – detailed

- * RFP schedule/timing plan
- * Current spend data, including:
 - service configuration
 - spend analysis
 - payment process
 - policy and/or guidelines

Information to be provided by the supplier

- * Service configuration
- * Reporting capabilities
- * Geographical coverage
- * Technological capabilities
- * Account management structure and offering
- * Quality process and programmes
- * Sample service level agreement
- * Implementation plan
- * Statement on diversity
- * Financial proposal
- * Cost-management capabilities: process improvement, client negotiation

What are the main steps of the RFP process?

1. Pre-RFP

- * Identify requirements
- * Perform initial study
- * Write project justification
- * Budget estimation and development
- * Compile list of suppliers
- * Consider RFI (Request For Information) requesting high-level information from suppliers
- * Attend industry conferences/seminars/exhibitions
- * Qualify potential bidders for your project
- * Consider staging a conference with all suppliers to present your project
- * Develop final supplier list with names and addresses of specific people who should receive RFP

It is vital to identify the right suppliers and not spend time on organisations and proposals that are inappropriate for your project

2. RFP Activities

- * Set up RFP project team
 - appoint a project leader
- * Set project schedule/timelines
 - use reverse calendar: start with date project is to be finished and work backwards
- * Identify specific requirements and business objectives
 - develop clear and agreed statement of what is causing RFP to be written. Use this throughout the document
- * Review requirements with RFP project team
- * Source suppliers and evaluate current contract
- * ROI analysis (if required)
- * RFP development

3. Post-RFP

- * Evaluate proposals
- * Eliminate first round of suppliers
- * Establish shortlist
- * Contact references
- * Conduct site visits
 - supplier site
 - reference site
- * Hold presentations
- * Best and final offers
- * Select supplier
- * Negotiate contract
- * Review selection process with management
- * Debrief unsuccessful suppliers
- * Start project implementation

(Sources: Request For Proposal - A Guide to Effective RFP Development, Bud Porter-Roth; Lanyonbid)

What is best practice for an RFP?

Most suppliers have a policy of answering all RFP's, even if they are poorly organised. However, the responses are likely to be equally poor, making the process time-consuming and unproductive for all concerned. The following guidelines will help keep the buyer on track:

1. Data

In essence, **an RFP is an exchange of data**. Getting this right is regarded as a challenge by 78% of buyers (source: ITM). The buyer must:

- * give appropriate information about its current contract that lets the supplier prepare a coherent, precisely calibrated bid.
- * structure the RFP so the supplier can set out its own data on the services it provides and how much it charges for those services.

Buyers must be careful to strike the right balance between **providing** too much or too little data. They must be equally careful to strike a balance in not **requesting** too much or too little data.



2. Process

As demonstrated in the previous section 'main steps', a successful RFP is a process involving much more than the tender document itself. Examples of critically important process practice include the following:

a) Project team - according to ITM research, 37% of buyers involve four or five stakeholders in an RFP and 41% more than five.

b) Time – when preparing an RFP schedule, it is counter-productive to allow just a few days for suppliers to prepare their responses. Allow a minimum of 15 working days; or ideally one month.

TIP: As a safeguard against the RFP process over-running, arrange a provisional, temporary extension of contract with incumbent suppliers.

c) Policy - ensure any policies are updated to reflect the relationship you wish to have with your new supplier.

d) Personnel – it may sound obvious but buyers frequently send RFPs to the wrong individual at the supplier company. By the time it hits the desk of the right person, the deadline can be perilously close. Check who the recipient should be.

e) Adjustment – To get the right answers, an RFP must be a two-way process of communication. Invite suppliers to submit questions if they require information you have not supplied.

3. Presentation

a) Professionalism - as with all important documents, ensure your language is clear and concise. Writing is a professional skill. If you are not a strong writer, seek assistance.

b) Clarity of purpose – an RFP is an examination of your needs that has been translated into measurable requirements. If you don't really know what you want, you will find it hard to write a good RFP.

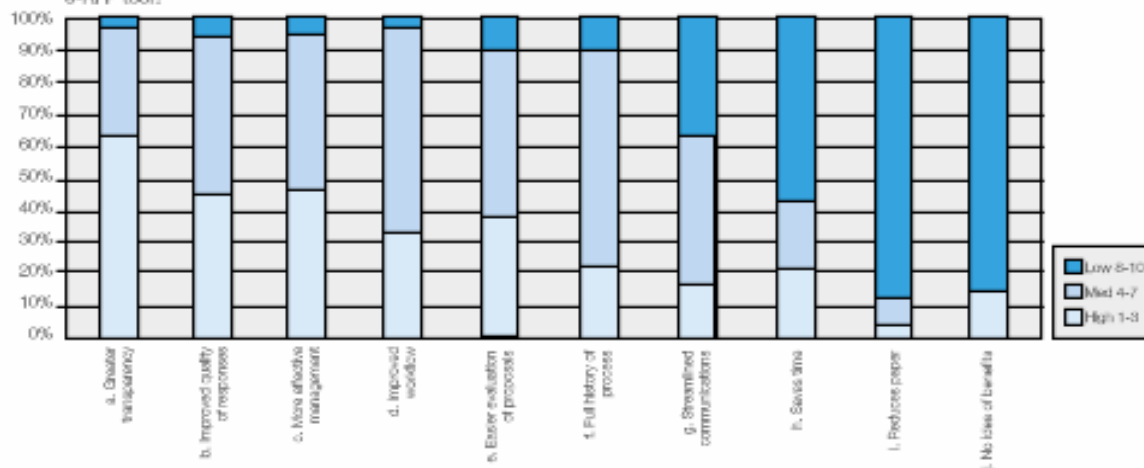
c) Structure – make sure the entire document is presented in a logical order so suppliers understand exactly what information they must provide and where and how they must provide it.

d) Creativity – it is important to structure the RFP so that suppliers give standardised answers which can be compared like-for-like. However, it is also vital to keep the RFP sufficiently flexible so that suppliers are not prevented from proposing creative, innovative solutions you may not have considered.

Can automation make an RFP easier and better?

Source: ITM Research April 2006

Q. List in order of priority what you believe to be the major benefits of conducting your RFP process via a web-based e-RFP tool?



Comment: Benefits of e-RFP are "improved workflow" and "greater transparency".

In a word: yes. Even distributing an RFP by e-mail instead of on paper is a step in the right direction but specialist e-RFP tools now available can do much more than that.

They solve many of the issues outlined earlier, including providing and receiving data, asking the right questions, making like-for-like comparisons while allowing creativity, and co-ordinating internal project teams.

TIP: The difference between e-RFP and e-auction tools

The two are often grouped together because both are used for supplier selection. However, the association is misleading as they are very different. An e-RFP tool automates every step of the RFP process. An e-auction tool is used for real-time reverse auctions in which suppliers under-bid each other online to win a contract. Suppliers also submit pricing through an e-RFP but there is no auction. Instead, the price is submitted as part of a more considered, detailed service proposal.

e-RFP tools have evolved quickly over the past decade:

First-generation tools

Large-scale procurement and enterprise resource planning systems which include a small, catalogue-based RFP element. Good for data but little flexibility and no information or fields tailored to specific categories. Expensive.

Second-generation tools

These are hosted systems with access via a Web application. Cheaper than first-generation tools, and less input required from buyer's IT department, but still no category-specific content.

Third-generation tools – example: Lanyonbid

Third-generation tools are web-based and category specific. The benefits are lower up-front costs and they are available via employee desktops. A product like Lanyonbid is an example of one of these type of tools. Advantages include:

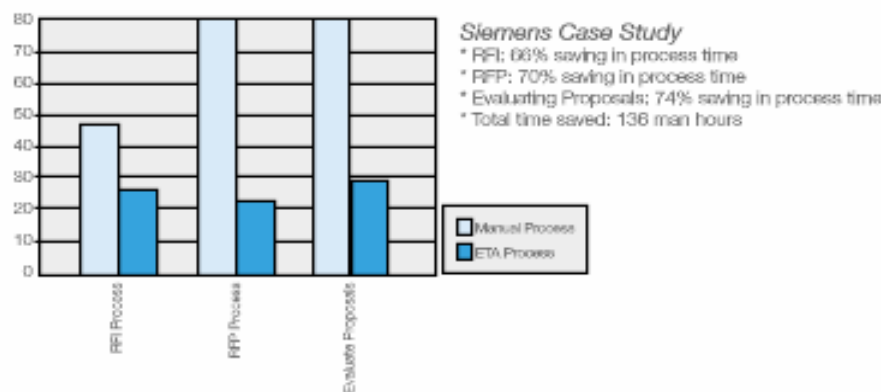
- * detailed libraries of service and product specific-questions
- * structured pricing models to enable like-for-like comparisons
- * very user-friendly, even if not familiar with eRFP tools
- * extremely cost-effective because product is more intuitive
- * easy-to-use evaluation tool
- * collaboration – critical information can be shared with project team
- * project management – documents and stores all events in the project

Third-generation tool case-study

Buyer: Siemens

Purchasing sub-category: TMC

e-RFP tool: Lanyonbid



'Lanyonbid was a vast improvement over the processes we have used in the past for tendering. It significantly reduced the time it took us to carry out the tendering process and the quality of the responses from the bidders was much higher. Hopefully, all tenders will be conducted this way in the future because it is much more efficient and cost-effective for everyone concerned.'

Siemens

Lanyonbid has revolutionised the procurement of products and services with an easy-to-use and easy-to-access web application for automating tender processes.

Buyers cut costs by:

- * Saving up to 68% in time taken to solicit and review tenders
- * Making better-informed selections with sophisticated evaluation tools

Suppliers gain by:

- * Saving up to 51% in time taken to respond to RFPs
- * Improving the quality of submissions to prospective clients

The **Institute of Travel Management** (www.itm.org.uk) is the leading professional body representing buyers, suppliers and managers of business travel in the UK and Ireland. Its 1,000 members account for 25% (£6bn) of the total corporate travel spend in the two countries. The association provides support, information and networking opportunities for members to share best practice.

ITM promotes efficient and effective travel management through good planning, negotiating skills and a keen knowledge of current market trends and products available in the sectors of air, sea and land transportation and hotel accommodation.

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For further information visit www.lanyonbid.com