



**vendorful**

The Essential Guide to

Understanding the RFP Process

# Introduction

Running a formalized purchasing process is a critical step towards improving outcomes and maximizing ROI. An RFP (Request For Proposal) is widely considered the cornerstone for a big-ticket purchase by companies, governments and other organizations. Countless organizations engage in the RFP process, which enables buyers to compare features, functionality, and price across potential vendors. Key stakeholders can participate in question selection and response scoring, ensuring that their needs and interests are considered. A good RFP creates a clear focus on specific criteria that are important to the buyer.

The most common way RFPs are managed is via ever-growing email threads with Excel and Word documents attached, making it challenging to wrangle both people and data. Compounding the challenges of running a paper-heavy process, the integrity of the sourcing process is often called into question. In some cases, one vendor will act as a source of questions for the RFP — questions that the buyer then distributes to competing vendors. While such an action may give a buyer a “running start” in building an RFP questionnaire, using a vendor’s RFP template likely means introducing bias into the evaluation. Some vendors are concerned about competing on an unlevel playing field and decline to participate in RFPs, reducing the chances of an optimal outcome for buyers.

Poor process and suboptimal outcomes are all too common characteristics of bad sourcing events. There is light at the end of the tunnel, however. Used properly, an RFP can offer both tactical and strategic value. Below, we’ll walk you through some of the best practices for RFPs, address critical sourcing questions, and occasionally introduce some levity into what can be dry subject matter. One note on terminology. We use the words “supplier” and “vendor” pretty interchangeably to refer to a third-party provider of a product or service. On the other side of the equation, we tend to use the words “buyer” and “purchaser” to refer to the party that is looking to source the product or service.

There’s a lot to uncover here so we encourage you to use the table of contents to navigate through [The Essential Guide to Understanding the RFP Process](#).

# 1

## RFP Process & Steps

Does your company invest millions of dollars per year or more in products and services that fail to meet ROI targets? You are certainly not alone. Even organizations that commit to building procurement departments and centers of excellence in support of their sourcing efforts often miss the mark on purchases, resulting in unexpected cost overruns and poor supplier alignment.

Leading organizations have come to understand that investing in an RFP process that adheres to best practices can yield significant benefits that not only improve ROI, but that can improve outcomes across a variety of measures. Developing and dialing in an effective process improves the overall quality of purchasing decisions by allowing buyers to engage in apples-to-apples comparisons across potential suppliers.

Do you already have an effective RFP process in place? Check out the steps below to ensure you are following best practices.



### Discovery

- Identify the key stakeholders who would be affected by the purchasing decision
- Schedule an internal team meeting to discuss both broad and specific business goals and establish a budget
- Draft a list of questions to ask the team
  - » How are we going to score the different vendors?
  - » What are the crucial “deal breakers?”
  - » What tools will we need prior to starting the process?
  - » What evaluation categories should we include? (speed to implementation, security, product functionality, etc.)
- Document the team’s responses and allow for a collaborative review and editing process of this document.

## Draft and Issue

- Compile a list of questions that are specific and targeted. Is there an unbiased template that serves as a good foundation?
- Include some number of open-ended questions.
- Make sure vendors understand that their responses will be measured against other vendors.
- Set clear timelines for vendors and internal stakeholders.
- Clarify and questions that come in from vendors about the questionnaire and/or criteria.

## Score and Shortlist

- Get stakeholders and relevant sourcing experts to evaluate and score supplier responses.
- Eliminate vendors that do not meet the “deal-breaker” criteria.
- Identify differentiators and strengths between and across vendors, shortlisting those with the highest scores.
- Set clear timelines for vendors and internal stakeholders.

## Select the Winner and Contract

- Don't be afraid to ask if you need additional demos or meetings prior to making a decision.
- Make sure you check all reviews and contact references.
- Negotiate with the leading contenders, locking in a contract with your supplier of choice.
- Notify the non-winners and let them know that they were not selected.
- Remember that in today's business environment, it's increasingly difficult to distinguish between “vendors” and “partners.” Consequently, building a strong relationship with your vendor/partner is key to a successful engagement.

Investing time in an RFP process will result in purchases of products and services that align with your business goals and requirements.

[Additional Resource: Sourcing 101: Understanding the RFP Process](#)

## What is the difference between an RFI, RFP, and RFQ?

**RFI** (*Request For Information*) is often issued before beginning a purchasing process. An RFI is similar in some ways to an RFP, but is usually less rigorous and contains fewer questions. Its purpose is to allow an organization to assess whether or not to move with an initiative and/or whether a particular should be included in the list of vendors that will be invited to the RFP. As such, an RFI will precede an RFP, RFT, or RFQ.

**RFP** (*Request For Proposal*) is the first step in a procurement process. An organization that wants to issue an RFP assesses its needs and develops a list of criteria, which are then turned into questions. The questions are then compiled into a questionnaire which is sent to a group of vendors that provide the products/ services that align with the buyer's needs. The vendors, which are sometimes called suppliers, respond to the questionnaire and return it to the buyer whereupon the vendors' answers are scored. Top-scoring vendors are then usually invited to negotiations or to submit specific bids in an RFQ.

**RFQ** (*Request For Quotation*) is a solicitation to vendors that is very specific in nature and includes all of the relevant details relating to the products/services that are being procured. An RFQ is often issued after an RFP, but can also be issued on its own for goods and services that are particularly standardized.

The acronym **RFX** is often used as shorthand to indicate a Request For "Something," be it a proposal, information, a quotation, or something else. It's often easier to reference an RFX than "an RFP, RFI, or RFQ."

## When and why should I use an RFP?

A request for proposal (RFP) is widely considered to be the best-practice process for big-ticket purchasing by companies, governments, and other organizations. Countless organizations engage in the RFP process, which enables buyers to compare features, functionality, and price across potential vendors. It is a crucial component of the sourcing process. RFPs are most regularly used when sourcing goods or services that are somewhat complex. For example, an RFQ might suffice when trying to acquire

commodity part from a vendor. In that situation, an organization might be looking at multiple sources for the exact same item where the key factor in determining which supplier to use is price. On the other hand, if an organization is looking to engage a consulting group, make a significant IT purchase, or some other more nuanced buying decision, an RFP is an incredibly valuable tool for critically analyzing different offerings.

## How do I format my RFP?

One of the challenges with RFPs is the lack of standardization. Putting aside layout, there is no standard for document type. It's common to encounter RFPs crafted in Excel, Word, and PDF that are distributed as email attachments. And despite a broad shift to digital formats, it is still not uncommon to see RFPs that are physically printed and distributed.

Insofar as the layout of an RFP goes, the prevailing approach is to build tables. This format is effectively native to Excel and other spreadsheet applications. It is also easy to set up in Word and other similar word processors. An RFP will typically have a list of questions that are split by section and subsection.

Here's an example:

Section	Subsection	Question
Company Overview	Organization & History	What is the name of your company?

When an [RFP is formatted](#) as above, there will usually be an additional column for the supplier to provide a response.

In addition to the RFP questionnaire, buyers will often include other information and frequently send several documents. They might, for example, send information about their organization. It is also quite common for buyers to send details explaining the rationale that underlies their intent to purchase a good or service. This type of information is very helpful to buyers and sellers alike as it creates context that helps RFP respondents craft answers that speak to the specific needs of the potential customer.

## How long should my RFP be?

In RFPs, as in life, more isn't always better. We have encountered RFPs that run in excess of one thousand questions. For certain purchases, this may be wholly appropriate. In fact, one thousand questions might not be sufficient in some cases! What's important is that the buyer's criteria are well understood and articulated to the suppliers. The best

way to do this is to make sure that all of the stakeholders are engaged and working with the sourcing team.

To that end, there is usually one or more gatherings of stakeholders — in person or online — wherein the specific needs of the stakeholders are documented and the criteria for evaluation are established. This pre-RFP process is critically important and will ultimately determine the scope and length of the RFP questionnaire. In fact, issuing and ultimately scoring the RFP might be better viewed as the culmination of an effort to understand and document the requirements for a product or service. The RFP should be...well, it should be as long as it needs to be.

Granted, the above is probably a terribly unsatisfying answer! In our experience, the number of questions in the majority of RFPs ranges from around 50 to 200.

## I just use preferred vendors, why would I use an RFP to find others?

It is normal — and desirable — for buyers and vendors to develop a relationship over time. This relationship, however, should not be confused with a marriage. Looking at alternative options is not cheating, but rather, a best practice. The problem with buyers simply re-upping with a preferred vendor is that they lose track of the market. And the consequences can be more significant than paying too much. As suppliers' offerings evolve, the "fit" or alignment with the buyer's business changes. Where a provider was once ideal, it may now be a bad fit.

A good practice to adopt involves sending periodic RFIs to both your preferred vendors and their competitors. The RFI is typically going to be more concise — and therefore less time consuming — than an RFP. However, by asking pointed questions about the offering and pricing, buyers can assess whether it makes sense to revisit the RFP process and consider a new supplier.

## How many vendors should we invite to participate?

Unfortunately, there is no easy answer to this question. Indeed, in certain categories, there are only a small number of suppliers who offer a particular good or service. So even if you wanted to invite 15 suppliers to bid, you might have to settle for three if that represents the entire ecosystem of providers. Other categories can be quite crowded, however, with tens or hundreds of vendors meriting consideration. Invite too few and you don't have a representative sample. Invite too many and you'll find that you're investing time diving deep into offerings that don't align with your organization's needs.

An approach that many strategic sourcing experts take is to run a two-step process. The first step involves issuing an RFI to a broad swath of vendors in a specific category. It is critically important that the RFI questionnaire be structured in such a way that the buyer

is able to exclude particular vendors based on their responses to specific questions. The idea here is to winnow down the pool of suppliers to those that align well enough to merit inclusion in the RFP that follows.

By creating a two-step process (an RFI, followed by an RFP), buyers can have the best of both worlds. In the RFI, they are able to cast a very wide net and include many suppliers without having to invest an inordinate amount of time doing the evaluation. By advancing only those vendors who scored well on the most important criteria in the RFI, buyers can limit the number of invited suppliers in the RFP while still maximizing their chances of finding the best match.

## How do I evaluate the responses?

RFP response evaluation should be a collaborative process. When running a sourcing event, there should be a team of people involved from the purchaser's side: people from the sourcing team/procurement department, stakeholders, and sometimes independent subject matter experts or consultants. As RFPs are often highly qualitative in nature, it's helpful to turn the evaluation into actual scores so that the vendor selection can ultimately be supported by quantitative measures. There are many valid ways to do this; it's most important to agree on the scale. For the majority of organizations, allowing evaluators to select from the following [scores](#) typically works well: unacceptable, poor, satisfactory, good, excellent. It can be helpful to use linguistically descriptive words that can be turned into numbers. In the aforementioned case, it may well look like this:

Unacceptable	Poor	Satisfactory	Good	Excellent
0	1	2	3	4

An important part of scoring is creating the right context. Too often, when RFPs are issued via email with attached documents, buyers score one vendor at a time. This makes it extremely difficult to do an "apples-to-apples" comparison. A better way to approach scoring is to line up questions and answers side by side. The context then shifts from the particular vendor to the question and its associated response. This allows the evaluator to score the answers relative to each other, which should improve the accuracy of the evaluation.



## What should I do if I don't get any good responses back?

If your organization issued an RFP and didn't get any good responses back, there could be a number of potential issues.

- **Did you invite enough vendors?** Not every vendor will elect to participate in every RFP. If you have issued the request to a small group and some of the vendors don't even reply, the odds of getting poor responses increases. does not guarantee that you're reaching the right vendors for your needs.  
*Solution:* invite more vendors.
- **Did you invite the right vendors?** Running an RFP can feel overwhelming, particularly if you're purchasing products or services in a new category where you don't have any experience or expertise. Inviting vendors on the strength of their online reviews or their presence on certain lists does not guarantee that you're reaching the right vendors for your needs.  
*Solution:* run an RFI first and invite a good-sized group of vendors from the category. Evaluate the responses and then build a shortlist of the top RFI respondents to invite to your RFP.
- **Did you ask the right questions?** If you're sure that the vendors you've invited represent a good sample of the possible providers and get enough responses, the fact that the responses are poor might have to do with the questions you've asked.  
*Solution:* re-engage with your subject matter experts and stakeholders to ensure that you are creating the proper context and expectations for the vendors and re-draft critical parts of your RFP as necessary.

## What should I do if I get too many good responses?

With all of the stress in your job, are you going to complain about such a high-class problem?! Seriously, though, too many good options can still present a problem. There is actually a name for this: the "paradox of choice." When you're presented with a multitude of high-performing suppliers, the first thing you should do is give yourself permission to relax a little. If you have variety of good options, the odds of a bad outcome are certainly reduced. Still, you'll need to make a selection and there are a few steps you can take to help you move forward with a particular supplier.

1. Re-evaluate your weighting. Reconvene your key stakeholders and find out which evaluation criteria are truly the most important to them. You will, once again, try to turn a qualitative measure into a quantitative one. In this case, you're going to try to determine the relative weight of specific criteria. Once you've applied these updated weights, you might see a particular supplier jump to the head of the class.

2. Let the salespeople earn their money. You have adhered to best practices and removed emotion from your evaluation. Now that you've identified the top vendors for your need, you can (more) safely let feelings creep back into your process. Talk to the people you'd be dealing with at the top-scoring vendors and see which company makes you feel most comfortable.
3. Play a game of pin the tail on the vendor. Relive your childhood, but with a sourcing twist. Print the names of all of the vendors under active consideration on their own pieces of paper. Tape each of them to the wall. Then, put on a blindfold, spin around, and pin the tail on the vendor. Take off your blindfold and see the winner! Be warned, if things go awry, you'll have a hard time explaining this to your manager....

## How much time will I time save if I invest in RFP management software?

There is no question that running RFPs via email and document attachments can be arduous and time consuming. In fact, procurement executives regularly report taking pains to limit stakeholder engagement in an effort to reduce both the time and complexity of the sourcing event. The problem is that outcomes and stakeholder engagement are positively correlated. Is trading time for ROI really the best thing to do?

The good news is that RFP management software can fundamentally change the dynamics of running sourcing events. Stakeholders can be engaged in the RFP process without being subjected to onerous demands on their time. It's difficult to quantify the time savings realized by using RFP management software. However, it is clear that the savings are significant. Layer in its other benefits and it's clear that RFP management software can be a transformational investment for a sourcing team.

# 3

## Biggest Challenges in the RFP Process

Think about how you currently manage your RFP process. Organizations spend countless hours working on RFPs and experience pain and frustration throughout the entire process. Below are the top 3 challenges for many organizations:

### 1. A Time-Consuming Process

Even the thought of sifting through emails chains and spreadsheets searching for responses can put a lot of pressure on any team under a tight deadline. It is important to think about the [time it takes](#) to:

- Collate and organize vendor responses for distribution to stakeholders for review
- Consolidate all the vendor information to do an accurate comparison
- Figure out which vendors have not begun their response and track them down to ensure they meet deadlines
- Sort through the attachments that vendors include with their responses
- Gather feedback from internal stakeholders in the organization

### 2. Stakeholder Involvement

Procurement departments may drive the purchasing process for many organizations. However, [internal stakeholder engagement is critical](#) when they might be primarily responsible for determining which suppliers get selected. Ultimately, engaging others in the evaluation process drives better ROI and purchasing outcomes for the organization. A [study conducted by IDG](#) showed that technology purchases tied to business typically involve 15.5 people across 5.8 different functions. Consider how much time is spent coordinating that many calendars.

The RFP process should be seen as an opportunity, not an obligation. To increase stakeholder engagement, organizations should:

1. Clearly frame the opportunity with spend data and a clear analysis of how all members will benefit.
2. Think about which stakeholders will bring the most value and how they fit into the process.
3. Identify the preferred method of communication with all stakeholders — where will you store all the feedback? How will you keep track?
4. Define responsibilities and roles throughout the entire process with a clear timeline.
  - Who is the project manager?
  - Who is a subject matter expert?
  - Which people will function as evaluators?
5. Understand that transparency is key throughout the entire process. This can be very challenging without the right technology in place. Automation tools include features such as deadline reminders, task assignment and alerts which will ensure the process is on track and encourage active participation.
6. Report, report, report...help others in the organization understand their impact. Procurement, or whichever group is tasked with running the RFP process, should translate all the information using relevant metrics to understand who won the contract and why, what the total project budget was and how does it compare to what was spent.

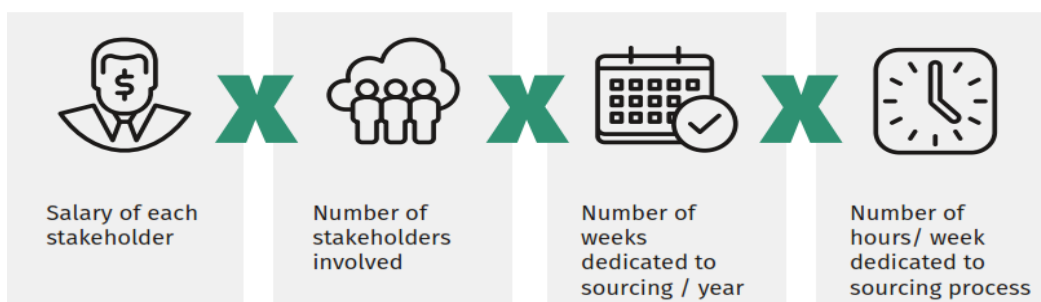
### 3. ROI

Do you know how much your organization is spending on the procurement process? More and more companies are realizing how savings support their

*“Remember, time is money.”*

bottom lines. Manual RFP processes lead to copy-and-paste errors while trying to consolidate documents or due to rushing in order to meet deadlines. Organizations make judgements and decisions using incomplete information or poorly-defined requirement.

To understand your company's current ROI, calculate the dollar value of cost savings.



# 4

## Ways to Manage the Strategic Sourcing and Procurement Process

There is no “one-size-fits-all” approach to managing the sourcing and procurement process. After evaluating the pros and cons of the methods listed below ask yourself... what is right for my organization?

### Manual Process

Many organizations resort to using Excel because it is a familiar and extremely powerful tool. That, however, does not mean it's an effective RFP tool for everyone. Excel-driven sourcing events are highly manual and you run the risk of human error and incorrect or incomplete data.

#### ADVANTAGES

- Little to no upfront costs.
- Most companies understand and are familiar with Excel.
- Ability to easily collect data with a top-notch calculation and organizational tool.

#### DISADVANTAGES

- Little to no visibility for internal stakeholders.
- Prone to human error.
- Time consuming.
- Inability to easily compare responses side-by-side.
- Procurement will fall behind as the company scales.

### Outsourcing

Smaller companies may choose to outsource the RFP process if they determine that their time will be more impactful spent elsewhere. In specific cases, it can certainly reduce workload and operational costs.

## ADVANTAGES

- You can hire a group of experts to execute the best strategy.
- Experts often come in with a group of qualified vendors.

## DISADVANTAGES

- Risks to your company's confidential information.
- Can be potentially burdensome for stakeholders.
- Identifying and selecting the right consultant takes time that many organizations do not have.
- Typically, there is a considerable financial premium associated with a third-party involvement.

Even if your organization reaps the benefits of a successful sourcing event orchestrated by a consultant, it's important to consider what will happen after your engagement. How do you manage the relationship with the new vendor? And what do you do for the next strategic sourcing event?

## Implementing Strategic Sourcing Software

Not all procurement software is created equal. RFP management software streamlines the procurement process and improve purchasing decisions through consolidation of information, increased stakeholder engagement and time savings.

## ADVANTAGES

- Ability to manage everything in a single location — everyone will have access to the documents and data they need.
- By assigning due dates, questions to review, and alerts you can surface discrepancies and build consensus with stakeholders.
- It helps everyone in the organization adopt best practices for managing the process.
- You can be up and running on a cloud-based SaaS solution in the matter of minutes.

## DISADVANTAGES

- Habits are hard to change — adopting new software may require a change management initiative.
- The best RFP management solutions are not free. However, a strong solution should yield positive ROI due to time and cost savings.

Which method is the best for your organization? It will all depend on the needs of your organization. For additional information, [check out our eBook](#) that will walk you through each method in detail.

# 5

## Implementing RFP Automation Software

Organizations that use RFP automation software have significantly cut costs and saved time for all stakeholder in the organization. [Understanding key features and functionality of RFP management software](#) is a valuable investment of your time before making a purchase.

Transitioning from the old-fashioned approach of spreadsheets and documents to an automated RFP process will help your organization see a better ROI. The infographic below lists 9 must-have features of an RFP management solution.



1. Team Notifications
2. Knowledge Sharing
3. Vendor Tracking
4. Task Assignment
5. Alerts
6. Collaborative Request Building
7. Permissions & Transparency
8. Seamless Response Collation
9. Collaborative Response Scoring

Interested in learning more? [Click here for more information.](#)

The right solution makes it easy to apply best practices and achieve better outcomes and ROI.

To learn about Vendorful's RFP management solution and address the pitfalls of your purchasing process, click below for a demo.

REQUEST A DEMO