

## "Moving Beyond the Standard RFP: Collaborative Approach For Maximum Effectiveness"

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The Request For Proposal (RFP) is a terrific concept. In theory, a single document allows buyers to interview multiple suppliers, communicate service requirements, select a best value provider, hit departmental cost reduction objectives, and retire early on annual bonuses. In reality, RFP results typically fall far short of objectives. This article seeks to identify challenges and shortcomings of the RFP process, as well as introduce the concept of supplier collaboration to maximize RFP results. Finally, various suggestions for improving RFP effectiveness are presented.

Many RFP authors will tell you they grossly underestimated the time required to satisfactorily complete an RFP. Why? Well, for starters, it's laborious. It can take months to gather and analyze the internal and external data necessary to author an RFP. Not to mention the time it takes to collect internal input encompassing corporate, departmental and even individual requirements.

Furthermore-somewhere between the acceptance of the assignment and tenth committee meeting-many RFP authors realize that they lack the expertise to really produce a quality document. After all, part of the value of the RFP is to learn about new vendor services and capabilities, so how can they be expected to ask about it in the first place?

What many companies fail to realize about the RFP process is that vendors typically hate to receive them. And that's a major obstacle to maximum effectiveness and desired outcomes.

If you think it is tough writing the RFP, imagine yourself in the shoes of the supplier's sales rep that has to respond to your laundry list of questions and requirements. I know firsthand. I've seen hundreds of RFP's over the past fourteen years both as a salesperson as well as an outside consultant. The typical RFP is too lengthy, too generic, too time consuming.

Its' passive and anonymous format stifles the salesperson's natural desire for face-to-face interaction where hands can be double-clasped, desktop photographs admired aloud, Marketing's latest incarnation regurgitated, and rapport-that all important sales buzzword-developed.

Ultimately, suppliers hate RFP's because of the inherent dynamics of the process: there are more vendors that lose than there are those that win. Clearly, the incumbent vendor has an advantage, a fact recognized by suppliers vying for your business. After all, incumbents have been afforded the opportunity to demonstrate their services, understand your business, and develop relationships within your organization. In my personal sales experience, I found that the incumbent wins 3 out of 4 bids, excepting situations in which dissatisfaction with the incumbent's service was the RFP's driving force.

To compound the problem, many suppliers consider RFP response as "rookie" work, assigning the task to untenured salespeople and support staff. Unfortunately, we often review RFP's that were produced in haste by staffers that lack sophistication as creative problem-solvers and aren't authorized to quote non-standard pricing. As shortsighted as that may sound, it's purely an economic decision. There's no guarantee that RFP response efforts will generate sales. And even with an RFP victory, results are still deferred. Sales managers prefer that their best sales talent focus their efforts to drive immediate revenue.

So after all your efforts at creating the RFP, you're rewarded with boilerplate information and rack-rates. Worse yet, some suppliers won't respond to your RFP at all. Participation in the RFP process is frequently the responsibility and discretion of an individual salesperson, who might assign greater importance to other activities with a faster return on time invested.

So why bother? Because done correctly, the RFP process will, in fact, lead to an improved understanding of service providers and capabilities, a better understanding of the buyer's requirements, and improved service and rate responses. Here are several suggestions to consider to maximize your organization's subsequent RFP's.

- 1) Solicit vendor assistance as a pre-RFP activity. There's an old supplier adage that states that if you didn't help write or influence the RFP, your chances of selection are remote. Therefore, consider contacting representatives from each major supplier to solicit input pre-RFP. Allow suppliers the opportunity to provide you with as much help, information, and interaction as you see appropriate. Hold vendor conference calls and information exchange meetings. Share components of the forthcoming RFP with suppliers, and ask them what other categories they would include. Not only will you enhance vendor buy in, but also you'll gain insight into service offerings and applications that you might not have originally considered. Furthermore, the buyer is assured to have much more effective sales interaction and responsiveness.

- 2) Submit a complete RFP to avoid delays and unnecessary phone calls from suppliers. A complete RFP will include an administrative section (background, purpose, guidelines, deadlines, evaluation criteria, RFP contacts, etc.), requirements (service expectations, reporting, automation, customer care, sales representation, logistics, implementation, training, claims resolution, etc.), pricing and requests for service information, and legal documents. Consider an optional section for suppliers to list relevant information not requested in the RFP.

3) Understand your company's internal and external data as it relates to the RFP. Gather and interpret as much internal data as possible, and share detailed information with suppliers. We find this collaborative approach yields to a better understanding of the buyers' business and requirements, and creates opportunity for more sophisticated solutions and service offerings. More importantly, it allows the buying organization to focus negotiations on those areas most germane to service and price sensitivity. For example, if your distribution runs six days a week, you're wise to negotiate Saturday pick up and delivery waivers or pricing concessions.

4) Keep it short. Eliminate unnecessary questions that are not principally relevant or questions that can be easily derived through basic research (supplier's website, FAQ's, company brochure, etc.). Numerous questions of little import like, "Where are your headquarters?" can frustrate vendors to the point of non-participation. Consider the time required to reasonably respond to your RFP. The written responses should take suppliers no more than a day to complete. Of course, it will take considerably longer to finalize the entire RFP, the result of delays incurred within multiple approval layers of the supplier's organization (departments such as Pricing, Legal, Credit, etc.).

5) Share requirement evaluation and measurement criterion with suppliers. Requirements should be measurable and unambiguous. Whatever evaluation metric developed by the RFP team, share it with vendors. It's important for suppliers to understand how they will be measured, and to address what's most important to your organization. Consider negative weights when suppliers are unable to satisfy important requirements. Finally, establish realistic service expectations based on real needs, not based on status quo. Many companies err by requesting unrealistic service expectations, or by backing service requirements into existing standards applying the motto, "if it ain't broke, why fix it".

6) Standardize and dictate the format of pricing and other list requests. This will save each party time, and improves the bid evaluation process by allowing buyers to sort, store and share information quickly, as well as import rate tables for pricing comparisons and analysis. Consider providing suppliers an electronic copy of the RFP (in addition to the hard copy) to increase their effectiveness, and request RFP responses from suppliers in the same way. Buyers with comprehensive or rapidly changing materials should consider posting RFP information on their website for suppliers to download. By doing so, the buyer maximizes the effectiveness of information transfer, while decreasing the cost of RFP reproduction and distribution to multiple suppliers.

7) Don't overlook accessorial charges: RFP evaluations tend to focus on front-end pricing. While upfront rates are certainly important, added surcharges and back-end costs can vary enormously from vendor to vendor. Therefore, be sure to evaluate the impact of accessorial charges on your overall costs. Accessorial charges include fees for the following: Saturday pick-up and delivery, address correction, missing or invalid account numbers, dimensional charges, residential surcharges, extended delivery and dutiable add-ons, weight default, hazardous materials, COD, and dozens of other fees. First, quantify the impact of accessorial charges by applying these charges to historical shipment records. Then,

negotiate the items that most adversely impact your costs.

8) Don't rule out any options: Keep an open mind and remain objective about suppliers. Just because a vendor might not have offered a specific service in the past doesn't necessarily mean they won't offer it in the future. Also, try not to be overly restrictive on requirements. A best supplier need not necessarily meet every buyer requirement, but provide the most overall value in terms of service and price.

9) Consider awarding multiple suppliers. Assert in the RFP that a primary, secondary and tertiary supplier will be considered for contract award. This will motivate non-incumbents because their chance of winning at some level is enhanced with multiple bid awards. This should stimulate eager supplier participation, and yield superior rate responsiveness. Moreover, backup vendor/s offer service coverage in the event of primary service disruption with the primary carrier, or should you become dissatisfied with the primary supplier for any reason. Consider the value of FedEx and Airborne Express during the UPS labor dispute of 1997.

10) Don't underestimate time required. As if data collection, requirements gathering, analysis, pre-RFP research and RFP construction aren't time consuming enough, supplier site visits, product demonstrations, supplier meetings, bid evaluations, emails and phone calls from salespeople, contract negotiations, reference calls, etc. can take months to achieve. Allocate proper resources-time and manpower-early in the project.

11) Get legal department's okay: Never submit a RFP without prior legal review. The RFP should include language that protects the buyer from potential legal action. Specify that a supplier's participation in the RFP process implies understanding of the following: 1) The RFP is a vehicle to exchange information between buyer and supplier, not as an agreement or contract on the part of the buyer; 2) A supplier's participation is voluntary and in no way obligates the buyer to purchase products or services from any supplier today nor in the future; 3) When a supplier is selected, the supplier's proposal and RFP responses shall be incorporated into the contract whereby the supplier will be held accountable for all proposed commitments. Of course, the actual contract, terms, non-disclosure agreements, and other legal documents should receive Counsel's stamp of approval as well. Finally, name a legal advisor to the RFP team early in the process and keep them involved to avoid 11th hour bottleneck delays.

12) Seek help. Consider outsourcing to specialty firms and consultancies to increase RFP effectiveness and shorten time-to-results. When you add up the manpower and resources necessary in the typical RFP process, outsourcing becomes an extremely attractive alternative. Since these firms have issued hundreds of RFP's, they already have the framework to avoid "reinventing the wheel". Furthermore, in addition to writing the RFP, several firms offer a totally outsourced solution encompassing data analysis, bid evaluations, all vendor discussions, rate negotiation and implementation. These companies provide dedicated resources and professional expertise to free up your staff and allow you to focus on your core competencies.

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