The RFI/RFP Process

Opportunities for Those Who Are Prepared

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BY SID CHADWICK

There's a groan of grief that seems to echo through many organizations' Business Development Departments when a Request for Proposal (RFP) arrives. Such requests are sometimes preceded by what is called a RFI—Request for Information—often just as time demanding as a RFP and a process that usually determines who moves to the next stage of receiving an RFP.

Suppliers tend to frown on RFIs and RFPs for two reasons. First, the time they require can be significant. Second, current selling prices and margins are all but guaranteed to be reduced. However, the successful supplier who wins the award may capture significant, increased amounts of "predictable work" that was previously unavailable—such as being selected as one of two or three (or more) suppliers.

Yet, smart senior management of customers increasingly recognizes that certain suppliers can represent a "strategic resource." From that given, smart customer organizations are working to consolidate their suppliers and improve the "value per cost" they receive from their preferred suppliers.

Evidence is broad and deep that:

- Most buyer organizations do not receive the full value available from their suppliers, and
- Suppliers tend to fail to provide their target customers with "maximum perceived customer value"—including "useful information."

In other words, don't expect RFIs or RFPs to go away. The economic benefits are too meaningful, and measurable to a purposeful, buyer organization.

From this background, I fail to understand why supplier organizations don't see such requests as another opportunity to differentiate themselves—to separate themselves from their competition, particularly to a desired, target account. If the issue is the time required to respond to a RFP, then maybe a supplier needs to rethink and reorganize how its resources are positioned in order to properly and successfully respond.

There are numerous issues to evaluate, and engage in order to determine which RFPs or RFIs require a response. In the process of outlining which opportunities to select to respond to, I would like also to profile how you might consider responding in order to elevate your organization's probability of becoming a selected supplier—or at least making it to the next round of competitive review. You can be assured that failure to "professionally respond" to either an RFI or an RFP moves your organization to the back burner of potential suppliers to the buyer organization—possibly for years to come.

Issues to Review and Engage

Is there a history with the account? Why did you receive the RFI or RFP? If your organization has a history, and particularly a recent and successful history with the account, then you probably have an "inside position" to receive an award of some nature. This history doesn't guarantee you to receive an award, but it does give you a track record and successful history that a competitor must overcome in order to "move you out of position." Customers tend to dislike changing suppliers, particularly suppliers

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who have a strong, successful track record. Note: If you want to improve your probability of winning a future RFP, conduct Periodic Business Reviews with the target account's senior management. There are always issues that defy quantitative analysis, and the key value in that process is "trust between supplier and buyer managements."

Do you have a successful history with other accounts like this one? Successful supplier organizations tend to specialize in customer markets. Success tends to build future success. What you learn and accomplish in one account tends to be recognized and valued in a buyer organization that's similarly positioned, but whom you are not yet supplying. Recognition of these issues can provide you a "competitive edge" that can separate you from a slightly lower priced competitor if you explain these issues in terms of "economic buyer benefits" in your response. Even if you don't have a history with this account but the account fits your desired target account profile, then a top-notch response can possibly position you as an "alternate" for when a current supplier is replaced.

Does this account "fit" the profile of customers you are working to supply? Every supplier organization should have a written profile of whom they are working to pursue and supply, and whom they are working to avoid. If this RFP has lots of volume, but does not "fit" the profile of whom you are working to supply, you may want to rethink many related issues that determine whether it is in your interest to respond.

"Potential revenue volume" should not be the critical factor for investing your precious resources into a demanding RFI/RFP process.

Is there "negative (even indirect) fallout" if you don't respond to the RFI or RFP? An RFI or RFP can come to you as a result of a professional referral. In other words, why did you receive the RFI/RFP? There are often extenuating circumstances that you don't know unless you inquire. Make the effort to understand, "Why did the customer invite us into their RFI/RFP process?"

The answer can be significant, and as innocent and unexpected as, "Our people have attended your education programs, which none of our current suppliers offer, and we felt an obligation to find a way to send you some of our business."

Can you offer products and services and programs that can elevate this customer's performance even if they didn't ask for them in their RFI or RFP? Many but not all RFI/RFPs ask, "What can you provide us—that is economically valuable—that we didn't ask for? From software education and training to website design to lean manufacturing training to unusual products and market information, your customer is interested in developing suppliers who can elevate their economic performance. Your responsibility is to determine if you can be meaningful to this customer over time; and, if so, to explain those issues in compelling, business performance language.

Can you be important to this customer? Can you develop mutual importance? Mutual importance is critical, but too few suppliers include the issue in their pursuit of new business. Everyone might, on first blush, want to become a supplier to General Motors, but not everyone can be important to GM. In other words, you want to commit resources in pursuit of RFI/RFPs that you can sustain and that don't find you being replaced every year or two.

Have you evaluated this target account's performance objectives, priorities, management team, and ability to sustain itself in its competitive market? You don't need to pursue customers who are merger candidates. And critically speaking, you probably don't need to pursue customers who are not leaders in their field.

Sustainable customer revenues are critical, and understanding the "business side" of a potential account that's sent you an RFI/RFP is becoming part of what your business development process should be about—in terms of whom to pursue, and whom not to pursue.

Supplier organizations should view RFIs and RFPs as an opportunity to differentiate themselves—to separate themselves from their competition, particularly to a desired, target account. If the issue is the time required to respond to a RFP, then maybe a supplier needs to rethink and reorganize how their resources are positioned in order to properly and successfully respond.

Issues and Options to Considers

What separates you from your competition? Can you describe your differentiation in terms that are meaningful to this target RFP? If you can't, then maybe you need to either ask other questions or avoid this investment of resources. All RFI/RFPs should not be pursued.

What meaningful value can you provide that the RFI or RFP didn't ask for? Don't overlook your resources. I observed one fairly pedestrian envelope manufacturer win major awards because they had unusual internal "lean manufacturing" facilitator skills that certain financial institutions wanted badly. With that background, the buyers worked to bring this supplier in.

How well is your response information organized, and presented? What your pages and RFP looks like is important. If time allows, make the investment to make your pages easy to read and your document well organized. Also, if there are five members on the evaluation team, send six copies—not one!

When you develop this information for one RFI or RFP, can you use it again for subsequent RFIs and RFPs? Much of the complaining about RFI/RFPs is the time investments they require. Take a step back and begin preparing this type of information in advance. Not only should the quality of information prepared improve, but also your ability to successfully engage the whole process should improve.

Does responding to this RFI or RFP allow you to improve your positioning to become a supplier in the next three to five years? If you are not a current supplier, responding to an RFI/RFP can still be the "stepping stone" for moving-up in the potential line of suppliers. It is in your best interests to evaluate the cost/reward equation. Is this an account you would want to be "next in line to supply" in three to five years?

What's your history of performance improvement? What are the intellectual content, credentials, and track record of your management team? Buyer organizations prize suppliers with great credentials, and intellectual content worth sharing. If you have a searing history of performance improvement, you need to tell the story. Heading? "Our most recent 50 performance improvement initiatives, and what they mean for our customers."

Understanding Goes Beyond Price

You will notice I committed little time to your becoming the "low priced supplier." Low prices certainly count, but overall strategic contributions to the customer's business performance count more.

We have moved into a world in which suppliers and buyers are developing informal partnerships based on "mutual importance." Long term relationships are prized; they tend to allow for reliability, trust, and continuous improvement.

Each supplier should give serious consideration to asking, "To whom are you important, and why? To whom do you want to be important, and why? And with whom do you have a track record that says you should avoid this type customer?

Given these types of qualitative and discretionary issues, the above outline should be helpful for determining not only whose RFI/RFPs you should respond to but also how to win a higher percentage! It's the customer who determines who stays in business, and who doesn't. So a supplier's central role should include improving the customer's economic performance. And smart customers are looking for suppliers who can best contribute to the customer's long term performance. That understanding goes far beyond low price and requires us to understand the customer's business priorities, sources of pain, and performance priorities. IPA

What is a Periodic Business Review? *On page 23, the writer mentions the need to conduct Periodic Business Reviews that allow a supplier and its customer to systematically review and renew their respective roles of what's happening between them, as well as the macro and micro perspectives of their respective industry environments. The primary objective is to improve performance and value of both organizations to each other through improved understandings. For further information about Periodic Business Reviews, refer to the Customer Service Handbook produced recently by IPA.*