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Greater New England

MBE Article

Mastering the RFP Process ~ Part 2

First, understand where they are coming from, and whether it is worth while for you to respond.

None of us are experts at RFPs, but here are some ideas to help increase your chances of winning at the Request for Proposal game. Let's take a quick look at some thoughts about the RFP Process so that we can understand it a little better. First, let's take a look at the questions you may have...questions you may have for the organization issuing an RFP, and questions you will need to ask yourself. Why companies use RFPs – for most organizations, the RFP process is a 'best practice' procedure. Since your job as a potential vendor is to add value and to make life easier for them, it helps to understand why organizations use the RFP process, and it's wise to keep this in mind when you write your proposal.

And remember this, we all need to write proposals in order to be selected for a client's job, whether it is a standard proposal, a complicated RFP, RFX, etc., or whether it is a simple presentation to get a potential client interested in working with our company. There are steps in the RFP Process that can help us understand our steps in all of these instances. And, understanding where they are coming from can help guide you in your response.

Why are they issuing an RFP, RFA, RFQ, etc.?

When it comes time to respond to a request for proposal, you'll want to be ready. Understanding what questions to ask the company who issues the RFP as well as questions to ask yourself is the starting point on determining why they are issuing the RFP and why you should or shouldn't respond.

There are organizations who issue RFPs who have no intention of actually awarding a contract, but are simply 'fishing' for information. While this doesn't happen often, an organization may be looking for information to see if they can handle a project in-house, or if the work will have to be outsourced. There are alternate routes an organization may take to issuing a standard RFP:

- In a request for quote (RFQ), the process is relatively simple. You offer the best pricing you can, based on the details and specifications outlined in the RFQ.
- Another acronym you may see is the RFA, or request for application. Although its use is not always the same, organizations that have funding or grant monies available for new projects may issue an RFA to solicit applications from interested parties.
- Sometimes, an organization will issue a request for information (RFI). This generally suggests that the organization is still researching their options and is requesting certain information, ideas, or unstructured proposals from potential vendors to help them in their decision-making. Cynics see the RFI as a way for an organization to get free advice.

RFPs benefit the organizations that use them in these ways:

- Facilitate comparison of proposals.
- Add objectivity.
- Ensure very focused responses.
- Reduce risks for all parties.
- Minimize complaints from vendors.
- Help a manager justify the cost of a project to corporate decision-makers.
- Protect both the company and vendor in a contract dispute or scope change.

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Some organizations require you to attend a mandatory bidder's conference. If you do not attend, it would preclude you from submitting a proposal. Whether it's a mandatory or optional conference, it behooves you to pay attention to those in attendance so you know who your potential competition is likely to be. Often, the organization issuing the RFP will make a list of attendees and questions available to all interested parties, just to be open and unbiased about the process. You should also be aware that it's not at all unusual for two or more vendors to pool their collective skill sets and submit a joint proposal. There are times when it is better to ensure that you get part of the work than to risk not being involved at all.

Should you respond?

Setting up your company to respond accurately, efficiently and productively to these RFPs is complex and costly, so the need for picking and choosing is more important than ever. Intense competition for projects forces the successful bidding range to an extremely narrow margin of opportunity. Bid too high and the project is lost. Bid too low and the project is not profitable. How can you place a successful bid when the project is new and the details are fairly vague?

You could compare the current prospect's project with contracts already won and the work is being performed in a similar fashion. Are you sure that your existing contracts are profitable? Do you consider fixed costs when determining profitability? Do you include fixed costs in your bids? How about the cost of tools used to accomplish the work? Are all the license fees and cost of any outsourced IT support for the contract included in your bids? Do you consider the productivity of your personnel when bidding? What if you have to hire more people? Will they be as productive as your current employees and able to handle the same amount of work per hour? How about your turnover? Do you know what it costs when people leave and you have to hire and train new employees? Are those costs covered in your bid?

There are four elements involved in preparing a successful bid:

1. Understanding the prospect's required work.
2. Quantifying the productivity of your people performing the work.
3. Quantifying the cost of your people performing the work and the costs of the systems (and other fixed costs) they will use, and
4. Translating your understanding of internal costs to an RFP response.

By defining the work to be accomplished and the resource that will perform the work, you produce a complete understanding of the headcount, tools and budget you will have to commit to accomplish the work requested in the RFP. In the next part of this series on the RFP Process, we will expand on how you can match your approach to the RFP response. We will explain more of an activity-based approach that will give you a structure enabling flexibility and accuracy in your bid response. Then, you can make an educated decision on whether you should respond or not to an RFP. You certainly don't want to win a bid and either be unable to do the work in the budget and timelines required nor find yourself in a situation where you are losing money just to win a new job.

So, stay tuned for **Part 3 – Your RFP Response – Preparation in Thought and Process**

If you have an article you would like to share with us, please send it along and we can then share it with our membership through our communication vehicle, the MBEIC eNewsletter. Email it to either Carlton, Lori or Marilyn

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