

Request for Proposals 101

How did you learn to develop a request for proposal (RFP) for the goods and services you utilize to run your buildings? Trial and error? Your procurement department just handles it? You still haven't quite figured it out?

Crafting a good request for proposal is half science and half art. How do you judge a good RFP? A good proposal is one where you get consistent information and pricing from all of the possible contenders.

Believe it or not there are actual books on how to develop an RFP and other requests for information. The objective of this white paper is to try to provide you with the basics of this process. The presentation at WWP, A Smarter RFP Process: Getting Apples to Apples will specifically hone in on key aspects of developing an RFP that directly affect the evaluation process and making smart decisions.

The Big Picture

In a nut shell the procurement and proposal process has 3 primary objectives

1. To create documents for the purpose of gathering information regarding a product or service from specific suppliers/vendors.
2. As a tools that allows the buyer and supplier to have an 'open conversation 'utilizing the same set of rules and information.
3. To ensure that all parties are given equal consideration and vendors are selected fairly

There are several different types of documents and terminology that are often under the umbrella of the procurement or RFP process, but actually have different intents, scope and complexity. Here is a quick break down of the different terminology:

1. Request for proposal (RFP)
 - Formal request for a written proposal from specific vendors for a specified product, service or requirement.
 - Represents the time, resources and money required in order to communicate business needs.
 - The accepted proposal is often incorporated into the final contract for services.
 - Fills the gap between the initiation of a project and the implementation of the project.
 - Provides the structure for developing and implementing the project
 - Vendors respond, point by point, to the RFP when they make their proposals, with the ability for creativity and innovation.

2. Invitation to Tender (ITT) (European/Asian Term)
 - An invitation to tender process (or tender process) is used to generate competing offers from different bidders.
 - Typically involves creating a suite of formal tender documents and specific instructions to suppliers for compiling and submitting information.

3. Request for Quotation (RFQ)
 - A request for quotation (RFQ) is used when discussions with bidders are not required and when price is the main or only factor in selecting the successful bidder.
 - An RFQ may also be used as a step prior to going to a full-blown RFP to determine general price ranges.

Pre RFP/ITT/RFQ Activities

Depending on the type of project, product or service you are looking to acquire you might require a due diligence phase even before you can even go out for a proper bid. Documents such as Request for Information (RFI) or Request for Qualification (RFQ) can also be helpful research tools to ensure you understand the industry, the top vendors, and product/service specifications. And yes, just to keep you on your toes RFQ can also be a request for qualifications which is far different then asking for a quote!! The purpose of an RFI or RFQ:

- Determine what is available in the market from the suppliers that respond
- Determine if request is reasonable
- Determine if technology or product is available
- Prerequisite to the RFP but not mandatory
- Consider when the goals of the project are uncertain and more information is required

Why Write an RFI or RFP?

If you are new to this entire procurement and documentation process you might wonder even why it is important to develop an RFI or RFP. There are a multitude of reasons, which may vary each time you begin this process. Knowing your “why” up front will help you craft a better document:

- Multiple solutions will fit the need, how do you determine what is your best solution?
- Multiple suppliers are available, who do you use?
- Looking for the “best value”
- Product is not easily specified or uncertain of its availability
- Problem requires supplier to think outside the box
- Lowest price is not the # 1 priority
- Final price may be negotiated
- Provides fair and competitive environment
- Allows apples to apples evaluation
- Renewal of current service contract

What is the Value for Suppliers?

Do suppliers/vendors like RFPs? Yes they do, because if done well it gives everyone a fair chance at winning. The down side for them is it takes time to respond properly to an RFP. If you want real vendor partners don't make unrealistic expectations and deadlines in the RFP process. A supplier may read an unrealistic RFP and consider the company itself may be difficult to work with and not worth their time. Here are a few other reasons why RFPs have value for the vendors:

- Provides a level playing field to all suppliers
- Clear specifications/requirements to address
- Ability to promote their product, services, companies
- Allows for creative solutions
- Demonstrates buyers commitment to the project and the budgeted dollars

Developing an RFP Document

Many organizations have an internal procurement or supply management department that handles purchasing of goods and services with input from specific departments. The Facility Management department tends to use an awful lot of goods and services, some organizations even have dedicated procurement staff just for Facilities. That is a good thing! This ensures you have someone who understands your needs and requirements and can guide you in the process.

But you shouldn't trust them blindly, with no offense to the procurement folks out there, their job is to keep costs and expenses as low as possible. If low cost or low bid is not your intention or you want to ensure a certain level of quality of services or product then it is critical that you are a part of the development of the RFP document. After all, it is the FM that has to live with the consequences of a bad procurement decision!

As you begin a new RFP/Procurement process there are numerous basic steps from the 'project management' perspective that need to be complete.

- Identify the Project Team (end user, technology, procurement)
- Identify/Clarify the Project Scope/Objective/Problem Statement
- Identify the Project Schedule
- Identify the vendors you will invite to bid, understand their qualifications
- Identify Budget estimates or ranges; complete any financial analysis (e.g. ROI)
- Develop Evaluation Criteria, how will you judge the bidders?
- Document Development, creation of the actual RFP document
- Final Review/Approvals, final review by the project team
- Send Out to the approved bidders

RFP Document Contents

Crafting your first or 50th RFP can be daunting and time consuming; here is an outline or 'table of contents' that should be incorporated into the document.

1. *Project Overview/Administrative Information*
 - Problem statement or requirement
 - Relevant background information/history
 - Relevant dates, times for meetings, submittals, procurement
 - Submittal requirements
 - Bid meetings
 - Evaluation process
 - Format Requirements/Process for Q&A
 - Anything else deemed relevant
2. *Technical Requirements: What is it you actually need/want to buy?*
 - Requirements for what you are buying
 - Define the 'Statement of Need'
 - Identify who will write the requirements
 - Specifications vs. Requirements
 - Requirements as statements
 - Requirements as questions
 - Requirements should be unambiguous and measurable
 - Requirements for Consulting Services
3. *Project Management Requirements. How will the product or service be installed /implemented?*
 - Project approach/plan
 - Project schedule
 - Site preparation
 - Staffing requirements/resumes
 - Design, development, implementation
 - Delivery and installation
 - Testing
4. *Supplier Qualifications & References. Confirms their qualifications for being a good partner.*
 - Maintenance
 - Training
 - Documentation
 - Supplier company information (legal name, tax id, locations, staffing, org structure, bonded, insurance, involved in litigation, annual reports or revenue). Some organizations rely on AIA Document 305 for standard qualifications.
 - List of comparable projects/experiences (include date of projects, locations)
 - List of current customers, references
 - Opportunity for supplier to provide additional information
5. *Pricing Section: How much will it cost, the better this is defined the better you can compare!*
 - Define how you want the product/services to be priced, payment structure
 - Develop a matrix with components such as:
 - Product/Service Description
 - Quantity
 - Unit Cost
 - Cost/SF
 - Discounts
 - Licensing
 - Maintenance
 - Hourly Fees

6. *Contracts & Licenses: Lots of legal stuff that is required for a valid contract, check with Legal!*

- Types of Contracts
 - Purchase agreement
 - Maintenance contract
 - Warranty period
 - Software license agreement
 - Performance bonds
 - Payment bonds
 - Nondisclosure agreements
 - AIA Contracts (design services)

7. Appendices

- Information that buyer wants to provide to supplier such as reports, data, past history information, standards or technical requirements – anything that will give the supplier better information.
- Information or forms that the buyer wants the supplier to complete as part of the RFP response.

Post RFP Activities

Once the RFP document is on the street and in potential bidder hands, there is a whole other set of processes to see the bidder process through to the end.

- Q & A period. A defined period of time that bidders can ask questions
- Evaluation. The painstaking process of comparing bidders
- Eliminate first round/establish 'short list' of bidders
- Check references
- Demonstrations/Presentations, getting product demonstrations or presentations
- Site Visits (buyer or supplier)
- Best and Final Offer (BAFO), confirming any scope change that may reflect final pricing
- Final Selection
- Notification/Debriefing

Evaluation Process

A poor evaluation process can turn all the hard work completed thus far into garbage. Having good evaluation criteria and a smart decision matrix to help you fairly complete your analysis is critical to the success of the process. We will focus on this aspect in the presentation. But simply put you need to have evaluation criteria that at a minimum address the following issues:

- Price
- Best value
- Firm qualifications
- Qualifications of project team
- Similar project experience
- Approach/methodology
- Financial strength

Identifying your tolerances for these criteria is an essential part of the process. Using a decision matrix tool is an excellent method for a fair and consistent evaluation process. *More on this at the presentation.*

An Unsuccessful RFP process...

The RFP development process can be complicated, but it is still a process. Follow the process and you will likely have a strong document that will help you make smart decisions. So what can go wrong? Unfortunately plenty, here are a few pitfalls to watch out for:

- Didn't allow enough time to prepare
- Requirements given are too restrictive, limiting, unclear or ambiguous
- Project team was not on the same page
- Project schedule or budget was unreasonable
- Scope was undefined
- Project was not supported internally

Final thoughts

Every day, Facility Managers rely heavily on suppliers, consultants and vendor partners to get their job done. FMs need a constant array of products and services to satisfy the needs and requirements of their buildings and its occupants. Procurement and Facility Management need to work hand in hand to get the job done. A strong RFP process ensures we have smart partners in place to help manage our buildings efficiently and effectively. In the presentation we will focus in greater detail how to create a strong RFP document matched with a substantive evaluation process to ensure your success.

References

The following resources were utilized in the preparation of this paper and can provide you with more detailed information.

- Request for Proposal: A Guide to Effective RFP Development. By Bud Porter-Roth, Pearson Education, 2002.
- The Request for Proposal Handbook: A Sourcebook of Guidelines, Best Practices, Examples, Laws, Regulations, and Checklists from Jurisdictions Through-out the US and Canada. By Michael Asner, 2008.
- FMP Course Book –Project Management Version 1.1, IFMA, 2011.

These conference proceedings and the final presentation will be available for download after the completion of IFMA World Work Place 2012 at www.afdfacilityplanning.com .

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