

# WEEK 4: RFP PROCESS

46 unread replies.7373 replies.

Describe the key factors essential to effectively manage outsourcing.

Finally, define and explain request for information (RFI), request for quote (RFQ), request for proposal (RFP) and the contract management process?

## DISCUSSION REQUIREMENTS:

1. Main Post that provides answers to all posed questions, support your answers with, at least, one external URL (20 points)
2. Post your research presenting real-life example or best practices relevant to topics discussed in the Video Lecture (12 points)
3. Post a substantial comment to your Peer. The comment should either extend the topic or provide additional insights. Comments that reflect general likes, i.e. "Good job!", "I like your post!", "I agree with you" - Do not count into the grade( 8 points)

## ○ REQUEST FOR INFORMATION (RFI)

As the name suggests, procurement uses RFIs to gather *information*. In turn, this helps decide on the next step before contract negotiations begin. Thus, RFIs are usually not the final stage. Instead, procurement often uses RFIs along with the three requests above.

An RFI is a solicitation that procurement sends to a broad base of potential suppliers. Its purpose is for conditioning, gaining information, preparing for an RFP or RFQ, forming a strategy, or building a database. These facets are useful in later supplier negotiations about:

- Supplier facilities, finances, attitudes, and motivations
- The state of the supply market
- Supply market dynamics
- Trends and factors driving change
- Alternative pricing strategies

- Supplier competition
- Breadth and width of product/service offerings, by the supplier
- Supplier strategic focus, business, and product plans

Procurement may use RFIs to include a detailed list of products/services for pricing requests. The pricing *should* be used for comparative purposes for later negotiation.

Negotiators *should not* use pricing as the basis of their buying decisions. Through analysis of RFI responses, you may find strategic options and lower cost alternatives. You may also find opportunities to reduce costs.

## REQUEST FOR QUOTATION (RFQ)

RFQs are best suited to products and services that are as standardized and as commoditized as possible. Why? Procurement wants to make suppliers' quotes comparable before contract negotiations begin.

An RFQ is a solicitation sent to potential suppliers. It contains, in exacting detail, a list of all relevant parameters of the intended purchase. These include:

- Personnel skills, training level, or competencies
- Part descriptions/specifications or numbers
- Quantities/Volumes
- Description or drawings
- Quality levels
- Delivery needs
- Term of contract
- Terms and conditions
- Other value-added needs or terms
- Draft contract

Price per item or per unit of service is the bottom line with RFQs. Other aspects of the contract negotiation deal impact the analysis process as determined by the buyer. Supplier decisions are usually made by the well-trained procurement department. This comes after comparing and analyzing the RFQ responses for negotiation benchmarking advantage.