

CHOOSING A VENDOR THAT FITS JUST RIGHT

A step-by-step guide to the request for proposal process; from beginning to end

By Tanya Venegas

Most hospitality managers have been involved with the request for proposal process, also known as the RFP process. Put in the simplest terms, an RFP is an invitation to bid. The request for proposal provides guidelines to possible suppliers so that they can develop an accurate bid for the product or service being requested. This document should go into detail on the services or products being requested, contract terms and provide guidance on how the bid should be formatted and presented (*Investopedia, 2014*).

A request for proposal is used for major ticket items such as assets (new software) or awarding of contracts (auditing services). An RFP is not typically used when purchasing everyday items such as office or cleaning supplies. The RFP allows purchasers to have the most comprehensive information available to determine which provider offers the best fit for their needs.

This article will outline the steps in the RFP process. The information provided is generic and can be used for any type of major purchases where an RFP is appropriate. For detailed information or further guidance on specific purchases, contact the HFTP Research Institute: HFTP@hrm.uh.edu.



Step #1. Determine Evaluation Criteria

It is important to develop set criteria to evaluate an RFP and garner an unbiased decision. When evaluating a proposal, companies should look at multiple criteria to determine the best supplier.

Quality of Proposal: The quality of a proposal typically reflects the quality of work the supplier will provide. If the proposal does not answer all of the items requested in the RFP or is poorly written, then this may indicate that the supplier will provide subpar work quality.

Track Record: The supplier should have a good working track record. Request that the supplier provide information or case studies on recent installs or projects comparable to the one being undertaken within your company.

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Time: Can the supplier deliver in a timely manner? A company may be able to provide the products or services needed, but they may not be able to accommodate your requested timeframe.

Staff and Staff Resumés: The supplier should provide information on the key staff members that will be working on the project. This aspect is important when evaluating a proposal. If you are at a club property, you want to make sure you have individuals working on your project that have dealt with clubs. Vice versa for hotels, resorts, golf clubs, etc.

Cost: There is a reason why cost is not at the top of this list. Cost is an important piece of evaluating a proposal, but it should not be the primary deciding factor. After evaluating all the other factors, then compare the costs of the different options. This is the time when value becomes a priority. The company that is the most qualified, has the best product and can deliver the quickest will probably not be the cheapest option.

References: Suppliers should be willing to provide contact information for previous clients. Make sure you contact these individuals and find out how their projects/installations went. Was the company easy to work with and accommodating? (*Avenue NYC, 2008*)

Step #2. Vendor Research

Before embarking on developing an RFP, extensive research should be done to narrow the field of prospective vendors. This can be done in multiple ways: searching the Internet, attending conferences, talking to managers at other businesses of similar type, reading industry literature (magazines, blogs, newsletters, etc.) and research using social media sites such as LinkedIn. By attending industry events such as HITEC and the HFTP Annual Convention & Tradeshow, purchasers have the opportunity to talk to vendors, as well as other hospitality managers. All of these options can provide a great start to developing and evaluating possible vendors.

Choose as many vendors as you would like at this point. Include vendors with varying degrees of experience and price to get a good look at all the vendors.

Step #3. Request for Information (RFI)

The request for information (RFI) is an important step in narrowing the field and assists purchasers with getting rid of inferior vendors. A RFI is as its name suggests, a request for further information from a potential supplier or service provider. Included in the RFI are requests for information such as the products and services available from the supplier and the capabilities of the seller (offerings and strengths of the seller). Sections of a request for information typically include: statement of need, background of requesting company, vendor qualifications, information being requested, evaluation criteria and timeline for the response.

Purpose of an RFP

- Informs suppliers that a company/property is looking to purchase products or services
- Encourages suppliers to make their best effort to provide accurate information
- Requires the purchaser to specify, in detail, what it wants to purchase
- Alerts suppliers that the selection process is competitive
- Allows for wide distribution and response
- Ensures suppliers respond factually to the requirements
- Is expected to follow a structured evaluation and selection procedure

Other Types of Requests

Request for Quotation: An RFQ can be used to determine price ranges before getting to the detailed RFP process. An RFQ can also be used when a specific group of vendors has been identified and the only deciding factor is price.

Request for Qualifications: A request for qualifications is also known as an RFQ. An RFQ of this type is distributed before the start of the RFP process. It is used to gather vendor information from multiple companies to generate a pool of prospects.

Step #4: Write the RFP and Send to Vendors

A request for proposal contains detailed information about a product or service a company/property is looking to purchase. Some items will remain the same no matter what type of product or service you are purchasing, but much of the RFP will cover specifics pertaining to the particular item/service being purchased. An RFP should be accompanied by a cover letter/title sheet providing a general introduction and overview of the request being submitted. This document should include: the client's name, general description of the product or service being purchased, and a deadline for submitting responses.

The request for proposal should include specifications of the item/service which is being requested. The more detailed a purchaser is in their request, the better they will know how well this supplier will fit their needs. Many companies have a set number of vendors that should be contacted during the RFP process. Most experts recommend contacting at least three possible vendors at this point.

When the proposals are returned, they should be gathered and stored in a safe place in order to be reviewed at a set time. By evaluating the proposals at the same time, it helps remove bias from the process.

When the field has been narrowed to a handful of vendors, then the RFP can be distributed.

The following are the items which should be addressed in a formal request for proposal.

Company Background and Information. This section should be a short paragraph providing a general overview of the company and the strategy of the business. It should also include short-term and long-term objectives of the business to the possible vendor.

Project Description/Introduction. In this section, provide a general overview of the project, problem or opportunity to be addressed, and the goals or objectives of the project. Detailed requirements of the project will be addressed in a later section.

Design Requirements. Design requirements will vary depending on the project. For example, a marketing project will address items such as brand standards and style guides. On the other hand, a technology project would address the end product delivered and how it should operate.

Technical and Infrastructure Requirements. In this section, infrastructure and technical requirements should be provided in detail. For example, an IT project would have specifications on server or database system configurations.

Functional Requirements. This portion of the RFP will address how the product or service should function. If a hotel is developing a new web site, this section would address all of the pages and functions of the proposed web site.

Project Duration or Completion Date. By providing the vendor with an estimated timeline, the vendor can address whether they have the technical capabilities or manpower to complete the project in a timely manner.

Assumptions and Agreements. In this section, the company will set forth the rules of the proposal. Items covered could include reasons for dismissing a proposal, upper bid limits, and any other assumptions or agreements the vendor must meet for proposal exception.

Corporate Information. Request corporate information from the supplier such as company history, financial history, technical capability, product information (stock availability and estimated completion period) and customer references.

Submission Information. Include the date the proposals are due and contact information for proposal submission. Also indicate how many official copies of the proposal the purchaser would like to receive.

Additional Information/Clarification. For more complex proposals, the vendor may need to contact the purchaser to get further details of the project before sending in the formal proposal.

Basis for Contract Award. Provide specific criteria and weights for each criterion on how the contract will be awarded.

Selection Schedule. As a courtesy to the vendor, a timeline should be provided for the selection process. (*Priority Integrated Marketing, 2014*)

Step #5. Review the Proposals Earlier in the request for proposal process the purchaser should have developed detailed criteria which will be used in the evaluation process. By using these set criteria, a certain amount of bias can be removed from the decision-making process.

Once the RFP has been distributed, suppliers should be given a realistic time period to respond. This could be approximately three weeks or even more for complicated contracts. When the proposals are returned, they should be gathered and stored in a safe place in order to be reviewed at a set time. By evaluating the proposals at the same time, it helps remove bias from the process.

Suppliers should provide specific items within their response. The following are basic guidelines on what should be provided in the response.

Cover Letter. The cover letter should provide a brief introduction to the project.

Introduction or Summary of Work. The introduction or summary should cover all the major requirements of the project which the supplier will cover in the overall proposal.

Scope of Services. This section is where the supplier describes their approach to meeting each of the needs outlined in the RFP. The scope of services may include: maps, raw data, brief market or planning analysis, implementing strategies or preliminary drawings, designs or sketches.

Proposed Timetable and Phasing. All work tasks and approximate completion dates should be addressed here.

Fee and Staffing Schedule. The fee and staffing schedule can be described in two ways: employee salary or lump sum basis. For lump sum projects, it is suggested that the bulk of the payment be made at the end of the project after the most of the work is completed. In addition, a maximum price should be set for all the work being provided.

Qualifications. A brief summary of similar projects completed by the supplier should be included in the response, as well as contact information for past clients (name, position, address and phone number).

Project Staffing. The proposal needs to list key personnel along with their resumés and relevant experience.

Final Products. Details of the final product should be addressed by the supplier or service providers which follow the guidelines specified in the RFP. (*Avenue NYC, 2008*)

Step #6. Interview Vendors It is important for purchasers to talk to potential vendors in order to accurately assess their offerings. The best way to conduct interviews is by developing a standardized interview to follow for all the vendors. By developing a set interview, it offers another safeguard in the RFP process: to avoid bias in decision-making. It is important to only address the facts and not make decisions by how friendly the salesperson can be over the phone.

Step #7. Select the Vendor At this point in the process, if the purchaser has followed all of the previous steps in the RFP process correctly, then it is time to select a vendor for the

project. There will probably be more than one person in the final decision, so all managers must work as a team to agree upon a specific vendor. Once the supplier is contacted and awarded the contract, then a work order program must be developed in order to move forward in the process. ■

Sources

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Pocketbook Guide | Steps to the RFP Process

Completion Date:

- Determine Needs and Specific Requirements.** The specifics of the project should be developed including items such as project objective, resource requirements, schedule, quality requirements, security requirements, etc. _____
- Establish Supplier Eligibility.** What are the minimum requirements for vendors on this project? _____
- Determine Proposal Distribution Method.** Most companies will send the RFP to a select group of suppliers. Another option is to open up the process to public offer. _____
- Scan Existing Supplier Database.** Look at suppliers you have already worked with in the past. _____
- Research New Suppliers.** Go on the Internet and search for suppliers, attend conferences and ask managers at similar properties about their products and experiences. _____
- Scan and Shrink the List of Suppliers.** Evaluate information collected on possible suppliers and narrow down the list. _____
- Create a Supplier/Contractor Evaluation Plan.** A detailed plan should be developed to determine selection criteria. _____
- Draft and Review the RFP.** Develop a draft of the RFP and share with other managers for feedback. _____
- Prepare the Final RFP.** Write the final RFP document incorporating the feedback received in the previous step. _____
- Distribute RFP and Receive Proposals.** The RFP should be sent out to potential suppliers. Once the proposals are received, they should be filed away until evaluated. _____
- Evaluate Proposals.** The proposals should be evaluated using the criteria developed in the supplier/contractor evaluation plan. _____
- Award the Contract.** Once a supplier has been agreed upon, then the company can be awarded the contract. _____
- Prepare a Work Order Form.** The work order form should include all details of the project including but not limited to: project objective, scope, resource requirements, data requirements, risks, schedule, deliverables and quality requirements. (*Thakur, 2011*) _____