

## **RFQ or RFP? Know the difference and get the best deal**

Many people use these terms interchangeably, which can be really confusing so let's clarify them first.

### **What's the difference?**

A Request for Quotation (**RFQ**) is used when it is pretty clear that we know what we want and can specify it accurately. It is typically used where the items being procured are commodities or products, often low-value and high volume, where numerous suppliers could supply the same thing. One example is a branded item like a laptop computer. The RFQ should make it clear that you expect competitive bids. You may often hear it referred to as "3 bids and a buy". RFQs don't work very well with complex solutions or variable services.

A Request for Proposal (**RFP**) is a more in depth document that we use where there is a business need or problem to be solved where there is no off-the-shelf solution. You know what you want (mostly!) but you need some help. RFP's can teach you about new developments in the marketplace, about options for delivery and opens the door to innovation. A great example of this is travel services where the landscape seems to change daily.

### **Structuring a great RFQ**

Assuming you can perfectly detail all of your requirements and the product specifications and you are not expecting to learn anything new from the responses, an RFQ can work. You probably know as much about the products as the suppliers. The more specific you are in stating what you want, the more accurate the quotes will be.

An **RFQ** should at least contain the following:

Name of your Company and location	Detailed description of the item and/or drawings or images
A short description of your business	Quantities required
Who to contact with questions and their email and telephone numbers	Quality and all compliance requirements
How long the quote must be valid for	Delivery destinations and method
Due date and how to submit bids	Proposed payment terms
Any other instructions	A pricing template for the supplier to complete

### **Managing RFQ responses**

When the quotes come in on due date, you should be able to line them up side by side as a near-perfect comparison and make your pick. It's not so easy to do this manually. Firstly, suppliers do not always follow instructions and use your pricing template! Some even create their own or modify yours. This makes analysis very difficult, you have to cut and paste the answers to be able to compare apples-and-apples.

It's not all about price either. You have to consider whether they can meet your technical and compliance requirements and whether they can deliver to you where and when you want. Non-price related issues are important in your decision - failure to deliver is costly.

Conventional spreadsheets, such as MS Excel, have their limitations in the analysis process whether it's an RFQ or RFP. One issue is confidentiality and securing the bid details. Only accredited buyers should be allowed to work with the bid information and access to work files should be controlled. Another challenge is applying the evaluation criteria correctly without bias.

This is particularly relevant when suppliers have limited their offers or declined to confirm that they will comply with your conditions.

Ideally, it is best to automate the RFQ or RFP process using available technology that is easy to implement and user-friendly. The benefits are many:

- the analysis process is faster and more accurate
- supplier confidentiality can be guaranteed through controlled access
- the evaluation criteria are applied fairly using automatic scoring
- the process can be audited
- offers can be viewed side-by side and ranked for decision making

One of the main complaints from suppliers about their responses to RFQs is that the process takes too long. This is critical to them where they are providing a product or part that is subject to price fluctuations. Using an easy-to-use and affordable software solution can speed up the process and give the supplier comfort that you are handling the sourcing process effectively and managing it confidentially.

*Scout RFP makes the RFQ process painless via a simple and intuitively designed cloud-based platform. Andrew Durlak is VP Business Development and Founder at Scout RFP. Contact Andrew for more details.*