

Request-For-Quote Process
For the Downtown Niagara Falls Board of Management

1. Preparation

This is the most important part of the process and should not be done in a hurry. Throughout the entire RFQ process, you should spend at least 50% of your time on preparation and 50% on the rest of the steps. During the preparation phase, visualize the whole RFQ process from the invitation until awarding and closing the deal. This “big picture” will help you keep your final goal in mind.

There many types of RFQs, including open, invited, sealed bid, or reverse auction. RFQs are usually run by only inviting prequalified suppliers, and I recommend doing the same with reverse auctions. The number of bid participants generally ranges from 3 to 8, but again it depends on the category.

On the other hand, RFPs can be open to all potential suppliers. Regardless of whether it’s an open bid or invite-only, you can both run as sealed bid sessions. This is a type of bidding process where participants provide their bids in a sealed “envelope” and no buyer is allowed to open the bids before the final deadline. It is a great strategy to use to combat fraud and bid leakage before the bid has come to a conclusion.

Once you’ve decided what type of RFQ you wish to run, then you’ll need to prepare the documentation. RFQ documentation is the set of documents that will be sent to bid participants. The actual documents you choose to include may vary, but this list includes the most common RFQ documents.

Important RFQ Documents

- **Invitation and description:** Here you should describe your company, the project, and any other necessary background information. Make sure the purpose of the RFQ is clearly laid out.
- **General terms and conditions (GTC):** Attaching the GTC or contract template gives bidders a framework to follow when they consider making a bid. State clearly which terms are negotiable and which are not. Clarity here will reduce negotiation time when it comes time to close the RFQ.
- **Pricing template:** It is very frustrating to try and compare quotes submitted in different formats and structures. By preparing a pricing template you give participants guidelines they must following in order to submit a bid. Using the same format for all participants will help you to compare offers and easily find the best one. If necessary, you can even request suppliers divide prices into cost elements. Define price breakdown cost elements in the pricing template. Cost elements may vary depending on the category, and of course, cost drivers are different for different goods and services. In an RFQ, your pricing template will be very specific. For RFPs, you can use a simplified list of items (or bill of materials) to give bidders an opportunity to surprise you with new solutions.

- **Pre-qualification requirements and questionnaire:** If you have not qualified suppliers by running an RFI, you can do it during the RFQ process, but you'll need to prepare pre-qualification requirements and questionnaires. Running an RFI and an RFQ at the same time might be suitable for project management companies since different suppliers are likely to be used for different projects. Sometimes pre-qualification criteria is preceded by a non-disclosure agreement (NDA) or confidentiality letter that must be signed before the supplier gets the rest of the RFQ documentation. Prequalification requirements may vary depending on the category.
- **Awarding selection criteria and weights:** In order to keep the RFQ process transparent and easily understood by participants, you will need to describe the awarding criteria and weights you plan to use when selecting an RFQ winner. You should distribute those to the participants in order to reduce disputes.

Some example criteria that can be used in awarding:

- Functionality of product / range of services
- Initial price of offered product / service
- Total cost of ownership during product lifetime
- Cost drivers of offered product / service in the requested format
- Risk associated with offered product / service
- Ability to meet stated requirements
- Risk associated with selected supplier (e.g., financial, delivery, quality, compliance, sustainability, etc.)

Qualitative, monetary, and risk aspects of the sourced product or service should be weighted according to how critical they are to business objectives. Involve your internal stakeholders when putting together awarding criteria to ensure alignment.

Now when you have put together your set of documents you are ready to send the entire RFQ documentation package to participants.

2. Management

While the RFQ is underway, you should treat all participants equally. Share the same information with everyone. Questions from any one supplier should be answered and distributed to all participants.

It is against business ethics to leak price information or other supplier-specific info to other bidders. Some e-procurement systems have a sealed bids functionality where no one, not even the buyer, can see completed bids. The bidding system will only open after the deadline. Sometimes, if you have not reached your price targets in the first round, you can decide to undergo a second round (a reverse auction) with limited participants. In this case you should give the participants the price target you are hoping to reach.

3. Awarding

Awarding is the second most important step in the RFQ process. Here you decide with

whom you are going to deal. Now all the effort you spent on preparation becomes valuable. If you asked suppliers to use a price template, then just collect the bids and compare them, apples to apples. This is when the awarding criteria and weights come in handy.

4. Closing

After selecting a winner, set a meeting for closing the deal and signing the contract. If you put your GTC and other contract terms into the RFQ documentation, it should not be complicated to close the deal. If you did not, you may have a long negotiation ahead and you cannot even be sure that the offered price level will remain. Of course, suppliers will use any argument they can in order to increase the bid price.

It is good business to provide feedback to all participants, not only the winner. But even if you have selected a winner, do not announce the final decision before you have signed a contract. Once you announce the winner publically, the winner gets a boost of negotiation power and closing the contract may become difficult. Keep your options open until the contract is signed with best conditions possible and only then announce bid results to all participants. Thank everybody for their participation. It is up to the Executive, to decide to announce the winning company or not, but it is definitely not ethical to publish the winning bid.