

RFP Responses: Outsource or In-house?

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A significant segment of your market potential has always been opportunities that culminate through the RFP process. This segment has been growing over recent years and will continue into the future. RFPs can represent large dollar amounts coupled with potentially low margins. There is also a highly competitive environment associated with RFPs and the chances of winning can seem remote. But, if you don't participate in this arena, you are missing opportunities that could propel your business to the next level. RFPs are labor intensive and they carry the image of high risk, low reward. Assuming you agree to participate in this segment, should you prepare the responses in-house or outsource to a specialized service? What I will submit in the following pages are the rules of engagement and describe the environment – this will then enable you to evaluate whether you want to commit to preparing RFP submissions inside or subscribing to outside expertise.

Effort v. reward varies with different segments of your business. Transactional furniture sales require little effort as you fulfill orders from your warehouse or through a wholesaler, margin dollars flow freely as these opportunities pass through the business. Contract furniture projects require substantially more effort from the dealership and margin dollars tend to be much lower than transactional sales. Bid business requires a tremendous amount of effort from many sources internally and externally to virtually write a book simply to find out if the dealership will be invited to go to the next step. The RFP that you are invited to respond to is often written by very savvy people who understand economics and the competitive nature of the industry. This astuteness can leave little margin opportunity on the product side of the job.

So, why bother responding to these labor intensive, low reward opportunities? You should respond for a couple of reasons. First, if you win, there are net positive margin dollars to be gained from the project – it is positive for the business. Second, your independently owned dealership does not live in a vacuum and it is not a standalone entity. You have a very important partnership with your major manufacturer. Manufacturers need orders, large orders, to keep their factories running and labor force engaged. Lower margin, large project RFPs bring a lot of value to the manufacturing environment, they need the volume. When you find yourself responding to a large, complex RFP make sure you bring your manufacturer in to help with the preparation of the response. They have as much to gain if not more than you do by beating the competition.

The effort that you put forth from internal resources can be significant, painful, seemingly inefficient and stressful for the entire company. Should you let others do the heavy lifting or should you do the work internally? Let's first look at the mechanics of RFP response preparation, the requirements to maximize a possible win and then address the issue of internal or outsource.

Requirements for RFP response success:

- Company attributes:
 - ✓ Must have a well defined and crisp brand
 - ✓ A focused business strategy: OE, CI, I
 - ✓ Be willing to defend your strategy (it's not all about price)
 - ✓ Possess the discipline to stand by your core values
 - ✓ Be profitable enough so that you are not panicking in the response

Resources & skills required:

- Make sure you understand the RFP
- Assemble/coordinate a resource team
- **One** person must "own" (centralized coordination) the response process
- Never pass up an opportunity to ask questions of the client
- Don't "sit" on the RFP, start the response **immediately** upon receipt
- Research prior responses, look for thought starters, material that you can use with some alterations
- Respond with DETAILED well written, compelling answers
- Get help & expertise from your commercial partners: design firms, manufacturers, architects, commercial real estate resources
- Must have **excellent** command of the language:
 - ✓ Write with 1 voice
 - ✓ Perfect grammar
 - ✓ Outstanding creative writing skills
 - ✓ Tell a compelling story
 - ✓ Best-in-class editing skills
- Know your industry:
 - ✓ Present as if you are **the** foremost expert in your industry
- Know your client's business:
 - ✓ Do research
 - ✓ Use their words

- ✓ Get in to their skin, live their world
 - ✓ Present with confidence
- Must have a resource library
 - ✓ Can't afford to start from scratch every time
 - ✓ Only ONE owner/custodian of the library (doesn't have to be the one who owns the RFP response)
 - ✓ Operate as if a real library
 - ✓ Continual updating, keep refreshed/current
- Proofread, proofread your work & **not** by the same set of eyes:
 - ✓ Compelling story?
 - ✓ Empathy customer
 - ✓ Empathy competitor
 - ✓ Last: grammar, language
- Good balance of graphics
 - ✓ Don't overdo it; but,
 - ✓ Stimulate the visual senses
 - ✓ Use white space, a nice business font, pleasant letting, kerning & character spacing
 - ✓ Make it easy to read, enable an easy flow
 - ✓ An RFP response is also a marketing/advertising piece – promote your company, take advantage of the opportunity
- Present internally, have your team critique
- Write a powerful executive summary/cover letter
 - ✓ The 1 or 2 most important points
 - ✓ Begin to bridge deficiencies, close gaps
- If 3rd party SMEs are in the equation, “speak” to them, in their vernacular
- Understand the lay of the land (think *Blue Sheet*)
- Spend a lot of money to prepare the physical and electronic materials
- Never spiral bind the response, always 3-ring
- Present using state-of-the-art media e.g. iPad
- Understand the toll-road mentality of the RFP world

If you're profitable and running at near capacity – what's the motivation to respond to an RFP?

- Be selective
- Rainy day strategy

- Client's future opportunities may not go to RFP

Regardless of profitability, if you have excess capacity

- Absolutely pursue RFP opportunities, you may be selective

Representative questions:

- Will you offer design and space planning at no additional cost ?
- Does your company provide a reverse logistics system to return and recycle used product? If so, please describe.
- Will you provide warehousing at no cost should a project be delayed or cancelled?
- Can you provide an assessment of your carbon footprint?
- Has your company been named as a defendant in a lawsuit alleging infringement or misappropriation of a third party's intellectual property?
- What are your environmental values and commitments? How are they stated, measured, and enforced? Please provide a copy of your most current records supporting your answer.
- How do you measure customer satisfaction for your products and services?
- Please describe any innovative diagnostic tools and best practices your company has developed that would aid in process improvements and cost reduction.

The twisted world of RFPs – What other segment of your business would present a scenario like this?

RFP is released.

You and 8 of your closest competitors decide to respond for a very large opportunity.

You invest hundreds of hours and take key talent off the street for a total of 2 weeks to prepare the response.

You prevail and discover you are 1 of 2 finalists.

The next step is to suffer through a reverse auction hosted on the Web and you emerge the winner.

The customer then comes to you and asks "give me your best and absolute final".

After surviving these obstacles, a 3rd party consultant asks: "What additional incentives would your company offer in exchange for a 2 year contract? (i.e. - volume rebate, signing bonus, etc.)" or,

"What else should we have asked for that we haven't done so?"

Win rate v. when to stop.

- What's your RFP win rate?
- Proposed product #1, #2 or #3 in the industry?
- What if #5 or #6? Ways to mitigate.
- **Never stop**, but weigh C. v. B.
- But on the other hand, you can't keep chasing ghosts.

Outsource? – Retain in-house? Suggested guidance (large, complex RFPs):

2/year	OUTSOURCE
1 every quarter (4/year)	OUTSOURCE
1 every 2 months (6/year)	OUTSOURCE
1 every month	OUTSOURCE, CONSIDER IN-HOUSE
More than 12/year	BRING IT ALL IN-HOUSE

RFP responses deserve CAREFUL analysis and consideration.

- Only “play to win”.
- Never make a half-committed attempt to respond – always give it your best effort.
- “Win” your fair share, make few mistakes fulfilling the opportunity (margin preservation), and add a nice layer of business to your revenue stream that you might not otherwise have harvested.
- Learn to love what you hate: the RFP response process.
- Good luck & happy selling!