|  |  |
| --- | --- |
| **Request for...Procurement Processes (RFT RFQ RFP RFI)** | [http://www.negotiations.com/images/rss.png](http://feeds.feedburner.com/NegotiationArticles) |

***by Suki Mhay & Calum Coburn***

|  |
| --- |
| **Detailed explanation to RFT, RFP, RFQ, RFI. Training advice to buyers and sellers on how to get the most from these procurement and purchasing processes.** |

Clients and newsletter readers have asked that we *demystify* the meaning behind each of the following procurement terms: RFI, RFQ, RFT and RFP. These processes have steadily grown in popularity in procurement and purchasing, especially amongst larger buying organizations. Sadly proper training is often not given on which process to use and in how to effectively use each process. As a result, in practice you will find these phrases used interchangeably, as many organizations don’t understand the differences sufficiently, resulting in the buyers missing negotiation advantages. We hear procurement or purchasing clients talk about how their departments use these purchasing processes on our [purchasing training for buyers](http://www.negotiations.com/training/negotiating-procurement/) to ‘write the rules’ of the buying game, to successfully side-step negotiation. There is a great deal that suppliers can do to improve their position. As a starting point, we suggest that sales professionals understand the differences between these processes.

**RFI – Request for Information**  
An open enquiry that spans the market seeking broad data and understanding.

**RFQ – Request for Quotation**  
An opportunity for potential suppliers to **competitively cost** the final chosen solution(s).

**RFT – Request for Tender**  
An opportunity for potential suppliers to submit an offer to supply goods or services against a detailed tender.

**RFP – Request for Proposal**  
Sometimes based on a prior RFI; a business requirements-based request for specific solutions to the **sourcing problem**.

**Request for Information (RFI)**

As the name suggests, procurement uses RFI’s to gather *information* to help decide what step to take next before embarking on negotiations. RFI’s are therefore seldom the final stage, but instead are often used in conjunction with the other 3 requests detailed in this article.

An RFI is a solicitation sent to a broad base of potential suppliers for the purpose of conditioning, gathering information, preparing for an RFP or RFQ, developing strategy, or building a database which will all be useful in later supplier negotiations about:

* The suppliers, including: 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 supplier
* Supplier strategic focus, business, and product plans

Procurement may use RFIs to include a detailed list of products/services for which pricing is requested. The pricing *should* be used for comparative purposes for later negotiation, not as the basis of negotiators buying decisions. Through analysis of RFI responses, strategic options, lower cost alternatives, and cost reduction opportunities may be identified.

**Request for Quotation (RFQ)**

RFQ’s are best suited to products and services that are as standardized and as commoditized as possible. Why? Procurement want to make the suppliers’ quotes comparable before negotiations begin.

An RFQ is a solicitation sent to potential suppliers containing in exacting detail a list or description of all relevant parameters of the intended purchase, such as:

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

Price per item or per unit of service is the bottom-line with RFQ's, with other dimensions of the negotiation deal impacting the analysis process as determined by the buyer. Supplier decisions are typically made by the procurement department following a comparison and analysis of the RFQ responses for negotiation benchmarking advantage.

RFQs are typically used as supporting documentation for sealed bids (either single-round or multi-round) and may be a logical pre-cursor to an electronic reverse auction.

**Request for Tender (RFT)**

An RFT is a procurement open invitation for suppliers to respond to a *defined need* as opposed to a request being sent to potential suppliers. The RFT usually requests information required from a RFI. This will usually cover not only product and service offerings, but will also include information about the suitability of the business.

It is *not* unusual for a buyer to put out unclear or vague business requirements for an RFT. This lack of clarity on behalf of the procurement department can make it challenging for the supplier to propose a solution. This is not the best use of a RFT. RFT’s should only be used when the buyer is clear on their requirements, and is also clear on the range of possible solutions that might fit the buyer's needs, giving the buyer a negotiation advantage.

A RFT is often not a very time or cost efficient method for procurement to source supply due to its lack of defined business requirements and open invitation for suppliers to respond. Without proper procurement training however, too many buyers issue RFQ's that are in reality RFT's.

**Request for Proposal (RFP)**

An RFP is procurement's solicitation sent to potential suppliers with whom a *creative* relationship or *partnership* is being considered. Typically, the RFP leaves all or part of the precise structure and format of the response to the discretion of the suppliers. In fact, the creativity and innovation that suppliers choose to build into their proposals may be used to distinguish one from another. Later negotiations tend to take more time and be more wide reaching in their impact on the buyer's business.

Effective RFPs typically reflect the strategy and short/long-term business objectives, providing detailed insight upon which suppliers will be able to offer a perspective. If there are specific problems to be addressed in the RFP response, those are described along with whatever root cause assessment is available.

With good procurement training your RFP and RFT should seek specific data, offerings and quotations, and also seek specific questions about the following to assist your later negotiations:

* The specific items on which the suppliers are proposing
* Business requirements
* Performance measures
* Information
* Ideas
* Instructions on how to reply
* Due date
* Technical and other training
* How will we evaluate how feedback will work
* Describe the process for selection
* Request for cost breakdown (sometimes)
* Communication: cover letter (sets the stage), calls in advance
* Who to contact with questions
* Addressee - chosen carefully

Source:

<http://www.negotiations.com/articles/procurement-terms/>