

Requests for Proposal as Value-Extracting Tools

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You are about to embark on an agricultural value-added business initiative but you need more detailed information to help you make some crucial decisions. This may be a feasibility study, a business plan or a market study. You know you can employ a consultant but you don't know which one can provide you the best value for your money. One effective approach is to use the marketplace to assess abilities and use competition to your advantage.

The easiest approach to employing competition to your advantage is to issue a request for proposal. It does two things. First, it allows you to get different perspectives on how the problem may be solved; and second, it helps you to conduct a fair assessment among different suppliers to determine which of them is providing the highest service value.

This paper offer an overview of the steps involved with developing requests for proposal. It concludes with an indication of how to get your request for proposal to the right service providers maximize their responses.

What is a Request for Proposal?

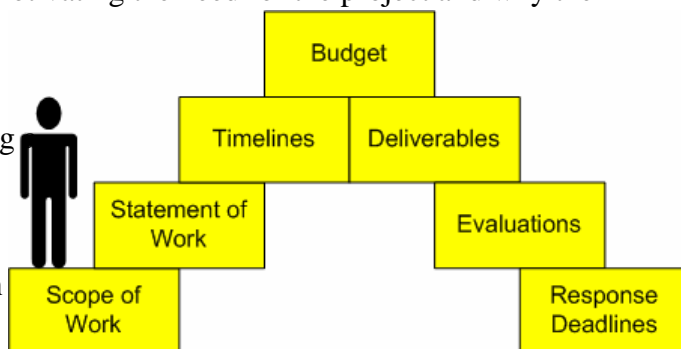
Request for Proposal, or RFP, is a formal process for soliciting ideas on how service providers or consultants plan to help achieve particular project objectives. Therefore, the organization or person putting out the RFP must have a clear idea about the project's objectives, timelines, budgets and other requirements.

What Goes into a Request for Proposal?

RFPs may take several formats, but essentially they encompass the following scope of work, statement of work, timelines, budget, deliverables, evaluation criteria and response deadlines (see figure). This section provides a brief description of each of these steps.

1. Scope of Work:

Introduction: Describes what is motivating the need for the project and why the project is important. This may include some background information on the project. For example, if you are contemplating low carbohydrate product development, the introduction section of the RFP may provide some background information on



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why this product is important and needs to be assessed. You may point out that the obesity problem and the apparent success of Atkins and South Beach diets has almost revolutionized the food market, making low carbohydrate diets an important choice food in certain consumer segments. The introduction sets the boundaries of the project and allows a potential contractor to get a feel for the project's importance. The introduction segment usually ends with the principal question the project seeks to answer when it is completed. For example: "The principal question this contract seeks to answer is this: What is the market potential and viability for low carbohydrate food products?"

2. Statement of Work

The statement of work clearly specifies the work required from the winning consultant. The overall objective of the project, which is often a restatement of the principal question driving the need for the project is presented and followed with specific objectives.

The request may indicate, for example, that "the overall objective of this project is to assess the market potential and viability for low carbohydrate food products in the Kansas City market." This provides the broad definition of what is expected from the contractor. This helps a contractor without any knowledge of the Kansas City market to not waste time responding unless they know significantly more about the low carbohydrate market and believe they can extrapolate that knowledge into the specified marketplace.

The specific objectives of the project define the collection of the components of the overall objectives which when achieved provide the solution to the problem. As an example, the request may indicate that "The specific objectives of the project are as follows:

- a. To determine the market size for low carbohydrate food products in the Kansas City market;
- b. To assess the feasibility of introducing a low carbohydrate food product into the Kansas City market
- c. To determine the competing products to low carbohydrate food products that could influence their viability in the Kansas City market."

You may specify some methods that you believe the consultant must use to address the questions you want answered. However, unless you are very confident about the uniqueness of the method to your problem, you may want to leave that open so you get different ideas and alternative solutions from respondents. You may find some very exciting approaches being presented to you.

3. Timelines

Timelines indicate the milestones and their expectations. What do you want to be completed by which date? Do you want monthly meetings, or quarterly meetings with the consultant? If you have a specific deadline by which the project must be completed, you must indicate that to ensure that respondents to the RFP know this. If the deadline is firm and non-negotiable, state that too. For example, you may indicate that "This research is required to secure financing from a private equity source which

closes in 90 days. Therefore, only contractors willing and able to complete the project in 60 days need submit a response.” To ensure compliance, you may, in line with the above example, state that “the contractor will meet on a biweekly basis with the client.”

4. Budget and Deliverables

You may specify the amount you want to spend, but it is not obligatory. If you don't have a maximum amount allocated to the project or you don't know how much a project like that would cost, you should leave out the budget and request respondents to give you their best cost. Sometimes, it is also prudent to leave out the cost even when you have a budget so you can benefit from the best value for the work. Most contractors will bid to the budget if they know it. And while it makes life easier for the contractor, your objective is to ensure the best value for your money.

Whether you provide a budget amount or not, it is often helpful to provide respondents with the criterion you would use to award the contract – lowest bid, highest value per cost, fastest time to completion, etc.

State what you want to be the final deliverable. This could be:

- a. A report: You may also specify the format you want the report in, e.g., electronic, hard copy bound, etc.
- b. If electronic, you may specify the software you want the report presented in (Microsoft Word 2003, WordPerfect 11, Figures in Visio 2000, etc.). This depends on the software you have access to: you don't want a consultant to send you a report in a format that you cannot access on your computer.
- c. A presentation plus a report.

5. Evaluation Criteria

Although many RFPs do not specify the proposal evaluation criteria, specifying it makes evaluation easy for reviewers and helps respondents. For example, you may indicate that all proposals must have:

- a. A table of contents
- b. Describe in detail the respondents' experience about the principal issues
- c. Specify a particular firm size for respondents if you believe the nature of the work and timelines require a critical mass of effort to deliver
- d. The résumés of all the principal staff who would work on the project
- e. A list of references for whom the proponent has done a similar work

Evaluation criteria also facilitate transparency, helping respondents to know how they are going to be evaluated. It helps them tailor their responses to effectively meet your specific needs.

6. Response deadline::

There are two types of response deadlines: First, the response to the RFP deadline: This defines the date (and time) after which no proposals will be accepted. It facilitates clarity and fairness in the collection of proposals, allowing for the isolation of serious candidates from the others. A proponent who cannot meet proposal deadlines signals potential problems with time management.

Second, your notification of winning proposal deadline: This indicates when you will make a decision and notify proponents about the winning proposal. It provides respondents with a sense of a start time for the project so they can plan for it. After all, you cannot assume that they don't have other clients they are working with.

Getting the Request Out

The RFP has to be sent out to potential respondents after it has been written. It is suggested that you use every means available to you to get information on reputable, willing and capable service providers. You may use the following sources:

1. Friends, business acquaintances and other professionals. For example, university professionals in the area of the issue for which you seek solutions.
2. Local Chamber of Commerce (if you want only local talent) and other service organizations.
3. The professional associations of the type of service you are seeking can provide a list of potential service providers.
4. The Internet (if you want as broad a pull as possible)
5. The Yellow Pages
6. If you are involved in an agricultural value-added initiative, you can try the Agricultural Marketing Resource Center (www.agmrc.org).

Depending on its size, you may want to call or email those on the list to gauge interest in your project, thereby streamlining your final distribution and increasing your response rate. Because potential respondents will be evaluating your seriousness about your project to determine their investment in responding to your RFP, it is important that you pay attention to its presentation – spelling, grammar, formatting, etc.

Conclusion

This outline aims to help producer-entrepreneurs seeking to secure services from consultants and others position a description of their needs in ways that attract the best providers. The primary benefit of an RFP is to leverage competition to one's advantage in the search for service value. A good RFP provides the framework for a contract to guide the delivery of the defined services.