State of the RFP 2019

Bonfire

Foreword written by

Ovum

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Foreword

In the age of digital transformation, citizen-centricity, and the approaching Fourth Industrial Revolution, municipalities, educational institutions, healthcare providers, and other public organizations are expected to meet citizen requirements at an increased pace, and through new channels. As the primary purchasing vehicle of the public sector, the Request for Proposal process must evolve as well to meet these changing expectations. Digitization of the RFP process not only allows organizations to shorten the time needed to post, evaluate, and award the RFPs they issue, it also allows for data analysis to improve RFP processes. In the following report, Bonfire uses anonymized first-party data from over 6,000 RFP submissions at 278 public sector organizations to provide valuable insights into the general RFP process, allowing public sector organizations to benchmark and improve their particular procurement processes.

The report finds that fewer than half of the vendors who view RFP documents go on to make a submission. This is a troubling statistic, as it indicates a problem with the RFP and its processes. Long RFP specifications are expensive to respond to, and if specifications are too rigid with no opportunities to offer alternatives, many vendors choose to avoid the expense. Vendors evaluate RFPs by considering the cost of submission and the nature of the organization to which they are responding. This is why vendors try hard to establish a relationship outside of the RFP process—to have an inside view of their potential customers.

Responding "blind" to an RFP leaves the vendor only with the style and nature of the RFP to evaluate the potential customer. A rigid RFP may indicate a rigid organization, not open to change or alternative solutions. A poorly constructed RFP with vague requirements may indicate a lack of clear focus and goals, or a lack of expertise in the customer—these factors may result in their solution being regarded as sub-standard no matter how good it is, which may discourage vendors from responding. Where vendors suspect that an RFP



is written to give another supplier an advantage, or where they believe the pricing expectation is unrealistic, they will also shy away from responding.

Similarly, where vendors are given too little time to respond, they will suspect that another supplier has had the advantage of seeing the draft RFP early. Vendors are in business and make decisions based on their probability of success, and the cost associated with that possibility, based on the posted RFP. Any concern with the quality or fairness of the RFP will sway their cost/potential benefit away from submitting a response. The message is clear—poor or biased RFPs deter vendor submissions. The lack of submissions is a clear signal about the quality of the posted RFP.

The inclusion of Information Technologies (IT) as a category of RFP projects in this report is worth some examination. Of the three categories analyzed, IT RFPs take the longest from posting to award and have the most evaluators. This may be because IT is regarded as a complex subject requiring complex evaluation. Certainly, of all categories, IT offers the most alternative solutions. The technology is also changing rapidly, as are the requirements of IT users—the half-life of an IT requirement is less than 6 months (half the requirements specified now will be invalid six months from now). And when the RFP process takes up two of those months, vendors may be unable to meet changed requirements when the time to implement arrives. This is why IT RFPs should specify the problem to be resolved rather than the solution to be provided. If the problem resolution is the goal, vendors are free to implement the latest technologies to meet that need.

Readers of the State of the RFP have the opportunity to compare their RFP process with that of hundreds of other public organizations, informing areas of focus for future process improvements. This pays dividends for public sector organizations. Improving RFP times, quality, and processes can increase submission rates, providing more choice to the public sector, and can only improve costs associated with RFPs for customers and suppliers.



TERRY WHITE, ASSOCIATE SENIOR ANALYST, OVUM

Introduction

Many of the decisions that shape our public lives are made through the Request for Proposal process. Our cities, schools, hospitals, and other institutions rely on RFPs to ensure that billions of dollars of public funds are spent fairly and judiciously.

Despite their ubiquity, the RFP process happens largely behind the scenes—until now.

The State of the RFP Report uses anonymized first-party data from the Bonfire Strategic Sourcing platform to provide a unique bird's-eye view into the RFP process at hundreds of public organizations in North America.

This year, we have extended the study to include detailed benchmarks specific to four major types of public sector organizations (municipalities, higher education institutions, K12 schools, and Canadian healthcare organizations). Furthermore, we have also taken a closer look at three distinct categories of RFP projects: construction, IT, and professional services.

As a result, we are able to provide more robust insight into the RFP process and how it can be improved to ensure better outcomes for public organizations and the communities they serve.

Parameters

This study defines an RFP as an indirect competitive procurement which includes both price and non-price criteria. Reverse auctions and price-only bids were not included in this study.

Sample Size

The sample size for this study is 6,006 Request for Proposal procurements conducted at 278 public sector organizations in North America in 2018.

The study comprised:

$1.4 billion combined spend

48,600 vendor submissions

People

1,794 buyers

12,763 evaluators

23,523 vendors

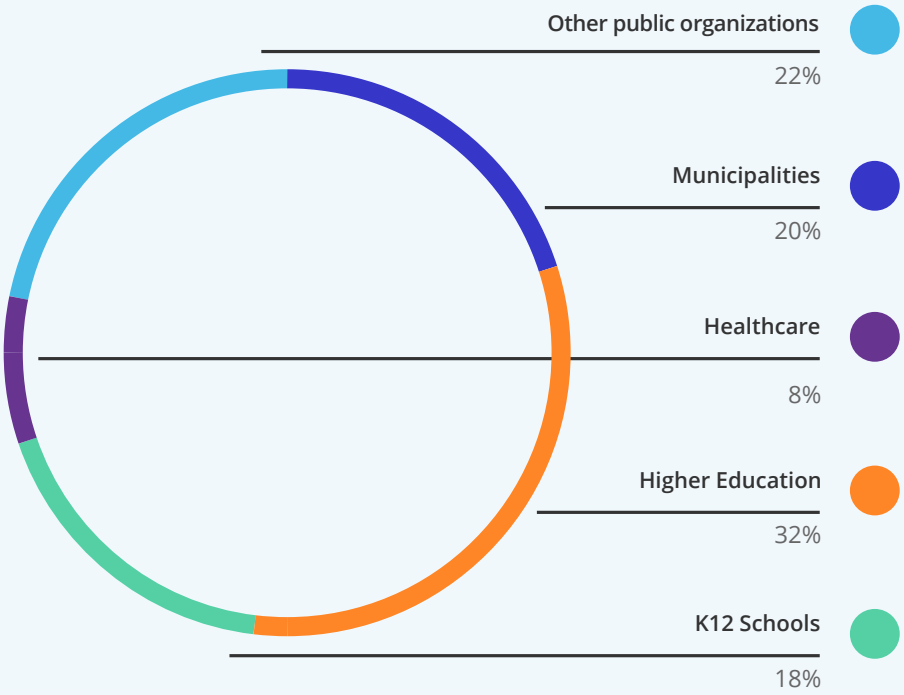
Pages

13 million pages

4,282 ft stacked

Almost 3.5 times the height of the Empire State Building

Types of public organizations in this study



The sample size consisted of several types of public organizations:

Municipalities: 20%
Includes cities, counties, and councils of government.

Higher Education Institutions: 32%
Includes all post-secondary institutions including public and private universities, colleges, and consortia.

K12 Schools: 18%
Includes public and private school boards, school districts, and boards of cooperative educational services.

Healthcare Organizations: 8%
Includes Canadian hospitals, health systems and health authorities, community healthcare organizations, group purchasing and shared services organizations.

Other public organizations: 22%
Includes water, wastewater, and electrical utilities, transit agencies, airports, and other special districts.

RFPs at a glance

The average public sector organization runs 18 RFPs per year.

The average RFP in 2018:

Took
57 days
from posting to award

Included
5 requested data fields/ documents from vendors

Was evaluated on
8 criteria by 3 evaluators

Included
3 evaluation stages

Received
4 submissions
with an average length of 116 pages

Municipal RFPs at a glance

The average municipality runs 19 RFPs per year.

The average municipal RFP in 2018:

Took **58 days**
from posting to award

Included
4 requested data fields/
documents from vendors

Was evaluated on
6 criteria by
3 evaluators

Included
2 evaluation stages

Received
5 submissions
with an average length of
93 pages

The State of the RFP sample size included mostly small- to medium-sized municipalities.



+ The number of requested data fields/ documents in municipal RFPs is on the rise compared to previous years.

+ The average municipal RFP is 23 pages shorter than the average RFP length in the public sector as a whole.

Higher education RFPs at a glance

The average higher education institution runs 24 RFPs per year.

The average higher education RFP in 2018:

Took 51 days
from posting to award

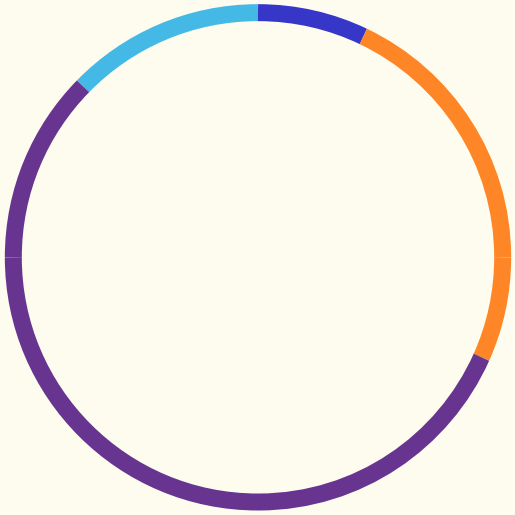
Included
4 requested data fields/
documents from vendors

Was evaluated on
8 criteria by
3 evaluators

Included
3 evaluation stages

Received
3 submissions
with an average length of
72 pages

The State of the RFP included a variety of sizes of higher education institutions, the majority being large institutions with an enrolment of 10,000 - 49,999 full time students.



+ Higher education RFPs have the shortest duration compared to public sector peers.

+ The average higher education RFP is 44 pages shorter than the average for the public sector as a whole.

K12 RFPs at a glance

The average K12 school district runs **10 RFPs** per year.

The K12 RFP in 2018:

Took **51 days**
from posting to award

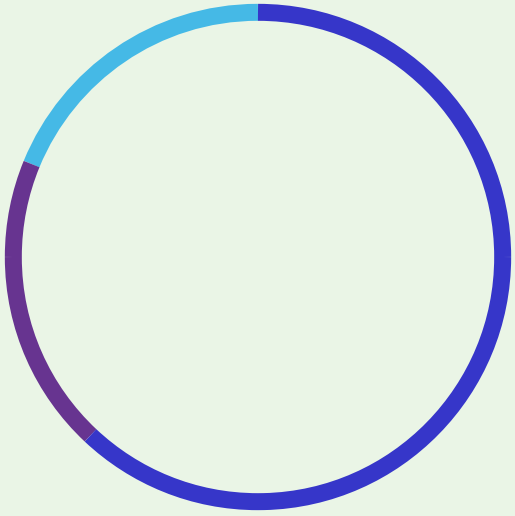
Included
7 requested data fields/
documents from vendors

Was evaluated on
8 criteria by
2 evaluators

Included
2 evaluation stages

Received
6 submissions
with an average length of
150 pages

The State of the RFP consisted of largely small school districts with total enrollment between 10,000 and 49,999 students.



+ K12 RFPs are getting shorter! The average RFP was 18 days shorter in 2018 compared to the previous year.

+ K12 RFPs have the highest number of requested documents of all organizations types included in the study.

+ K12 RFPs have the longest RFPs (in page count) compared to public sector peers.

Healthcare RFPs at a glance

The average healthcare organization runs 46 RFPs per year.

The average healthcare RFP in 2018:

Took 79 days
from posting to award

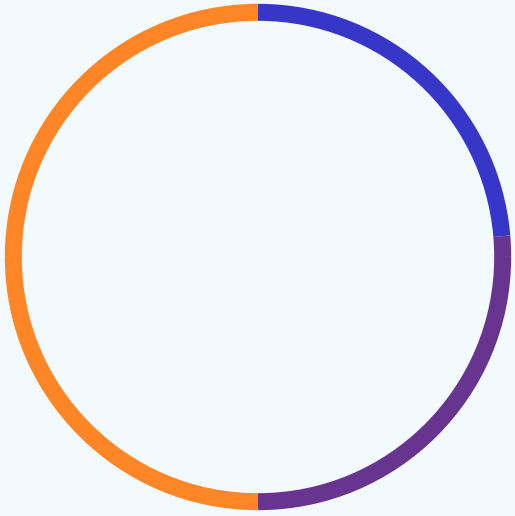
Included
5 requested data fields/
documents from vendors

Was evaluated on
11 criteria by
5 evaluators

Included
3 evaluation stages

Received
4 submissions
with an average length of
144 pages

The State of the RFP included several types of healthcare organizations, including:



- **GPOs** (23.7%)
- **Hospitals, healthcare centres** (26.3%)
- **Health authorities or systems** (50.0%)

+ Healthcare RFPs took 15 days longer on average in 2018 compared to 2017.

+ Healthcare RFPs tend to be more complex than other public sector RFPs, with almost twice as many criteria and evaluators compared to municipal RFPs.

RFP Setup Benchmarks

Part One

“

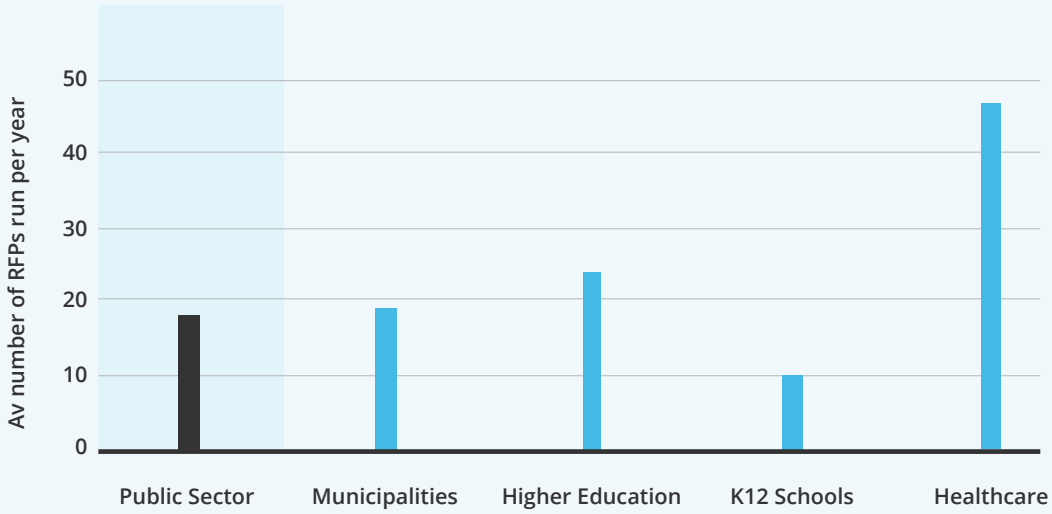
In the age of digital transformation and citizen-centricity, public sector organizations will need more RFPs to gear up to meet citizen needs. And they will need to process RFPs faster and more efficiently.

TERRY WHITE, OVUM

How many RFPs are run per year?

The average public sector procurement team ran 18 RFP projects in 2018.

If you feel like your workload is always growing, you're not imagining it! The number of RFPs run per year is increasing, up from 16 in 2017.



Average number of RFPs conducted per year

By organization type

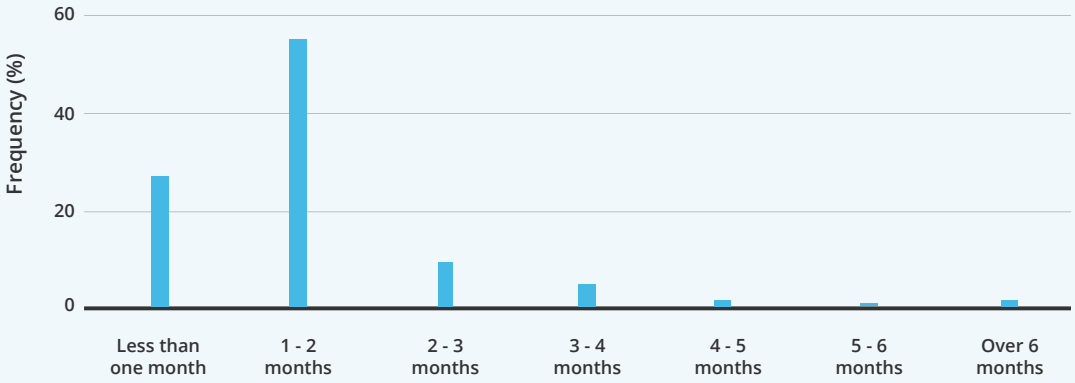
+ Healthcare organizations run the most RFPs per year.

+ K12 school districts run significantly fewer, as their procurement activities typically include more price-only bids.

How long do RFPs take?

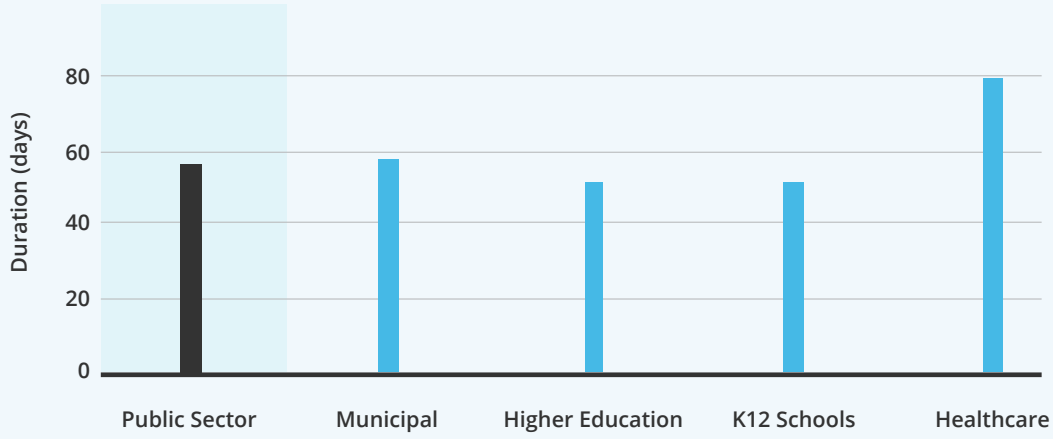
From posting to award, the average RFP takes **57 days—just under 2 months.**

Only **3.4%** of RFPs take **longer than 4 months** to complete.



Average RFP duration

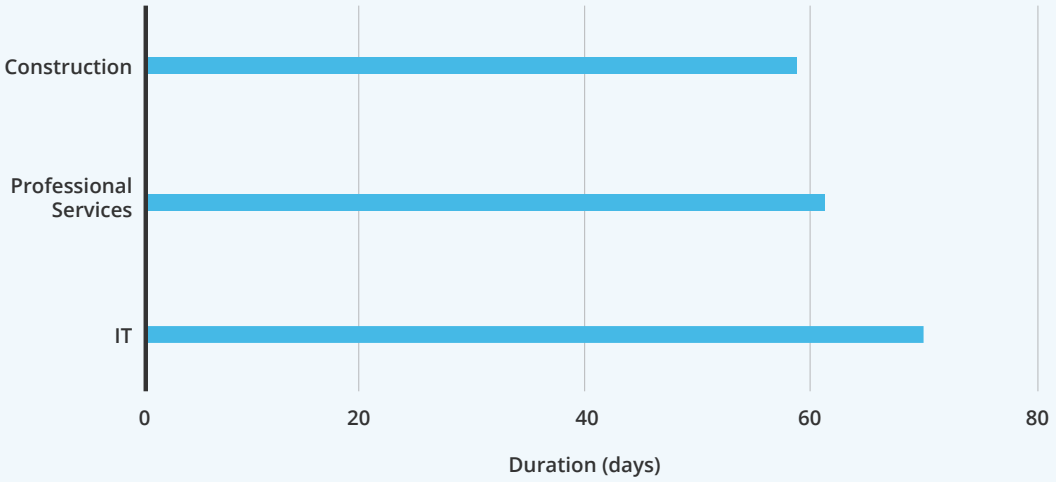
% of projects with given duration



Average RFP duration

By organization type

+ Most public organizations' RFPs take 50 - 60 days, with the exception of Healthcare organizations, whose average project takes nearly 80 days.



Average RFP duration

By common project type

+ Different projects have different levels of complexity. Between three common types of RFP projects, RFPs for IT products and services take the longest.

What factors impact RFP duration?

RFP schedules are determined according to the complexity and scope of the RFP. Simply put, complex decisions take time. However, there are other factors in the course of an RFP project that impact how long it takes:

Receiving an additional vendor submission to your project.	**+0.86 days**
Adding another evaluator to the evaluation group.	**+1.60 days**
Adding another criterion to your evaluation criteria.	**+1.90 days**

How does the typical RFP unfold?

The average RFP process schedule is as follows:

17 days

in project posting

project is prepared for release and posted

27 days

receiving submissions in the market

vendors can view the RFP and submit their proposals

31 days

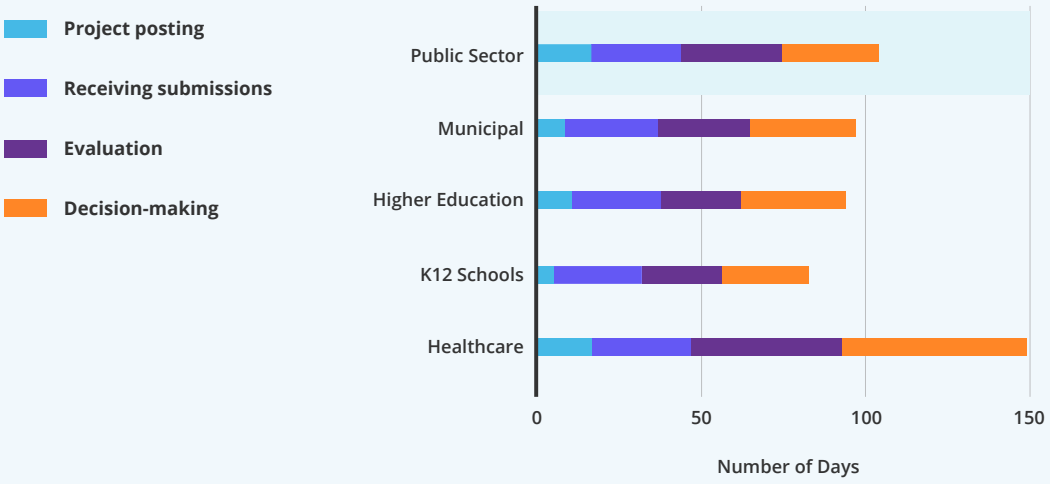
in the evaluation stage

evaluators review and score proposals to select a winning vendor

29 days

in the decision-making phase

negotiation, legal review, and approvals



Average number of days spent in each stage

+ The average RFP process for municipalities, higher education institutions, and K12 school districts follows much the same path.

+ By contrast, healthcare RFPs spend nearly twice as long in the Evaluation and Decision-making stage.

A closer look at project creation

The Project Posting stage is the first stage represented in this study, but it's important to recognize that it is generally preceded by a pre-planning and preparatory phase, which might include:

- Working with stakeholders to define needs
- Collecting feedback from appropriate stakeholders and subject matter experts
- Conducting research to determine what's out there
- Determining the appropriate RFP approach (standard, multi-phase)

Procurement has a huge opportunity to add value at this stage of the process: by taking the time to clearly understand needs and define expectations, procurement teams set the RFP project up for success.

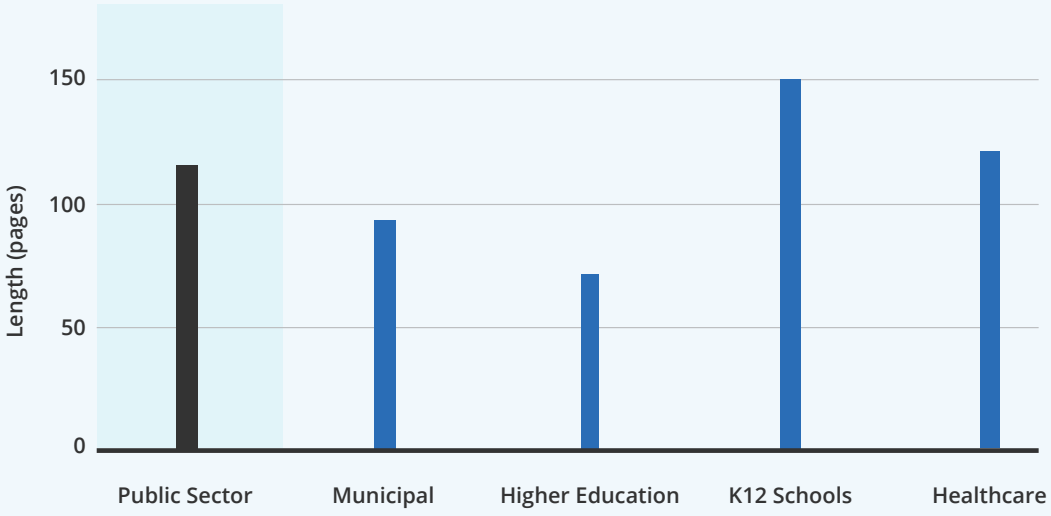
This year's study shows that RFPs are spending more time in the Project Posting phase: up 5 days from 2017. This is a signal that procurement teams are investing more time in determining the best way to approach the market in order to achieve the desired outcome, emblematic of the growing strategic role of procurement.

Vendor Benchmarks

Part Two

How many pages is the average RFP submission?

The average RFP submission is 116 pages.



Length of the average RFP submission

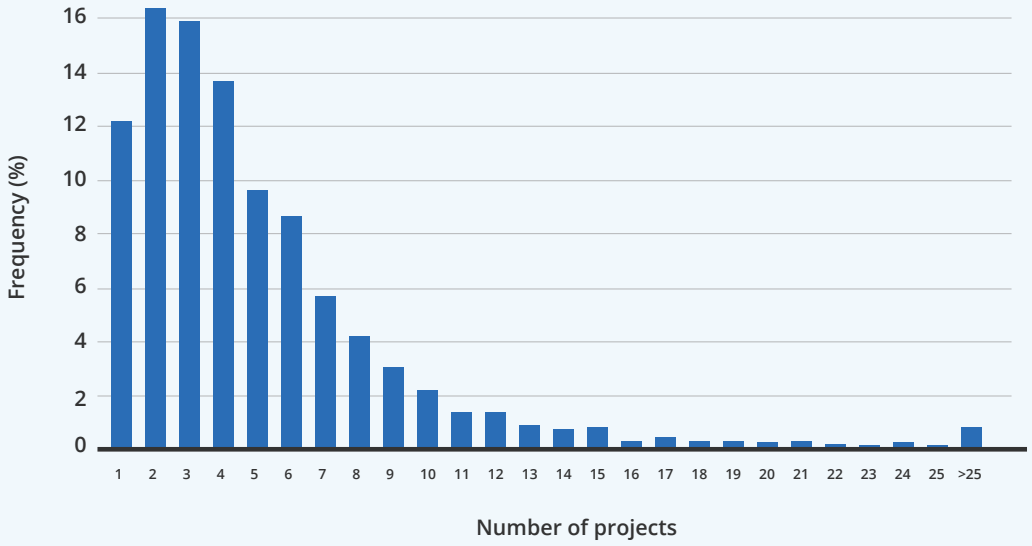
By organization type

+ While they run fewer RFPs per year, K12 schools have the longest RFPs of the public sector. The average K12 RFP is over twice as long as RFPs run by higher education institutions.

How many submissions does the average RFP project receive?

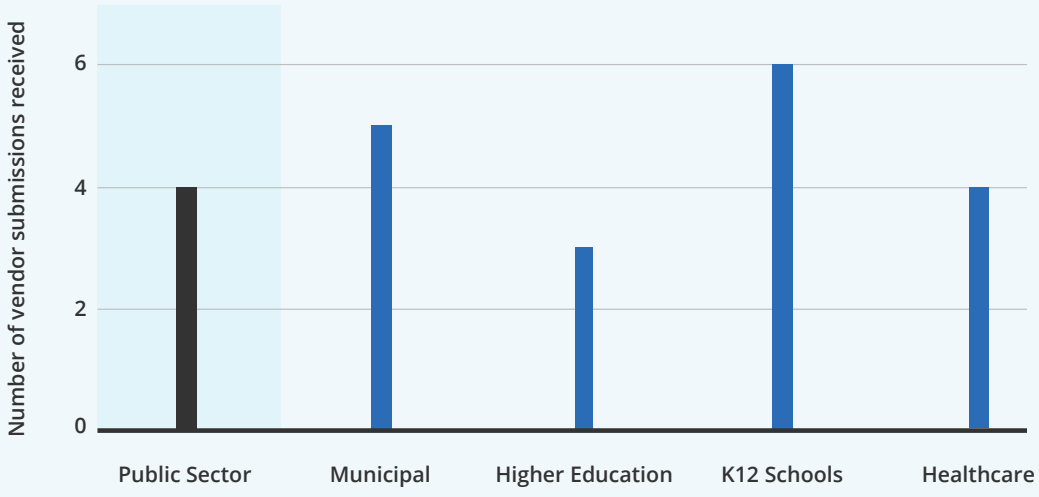
The average RFP project receives 4 submissions.

Only 9% of RFP projects receive over 10 submissions.



Average number of submissions per RFP

% of projects with a given number of submissions



Average number of submissions per RFP

By organization type

+ Higher education institutions average 3 submissions per RFP, while K12 schools average 6 submissions per RFP.

How much vendor information do organizations receive per year?

Municipalities	Higher Education	K12	Healthcare
427 pages per project	**245** pages per project	**930** pages per project	**537** pages per project
7,914 pages per year	**5,802** pages per year	**9,114** pages per year	**24,424** pages per year

How many vendors choose to submit to RFPs?

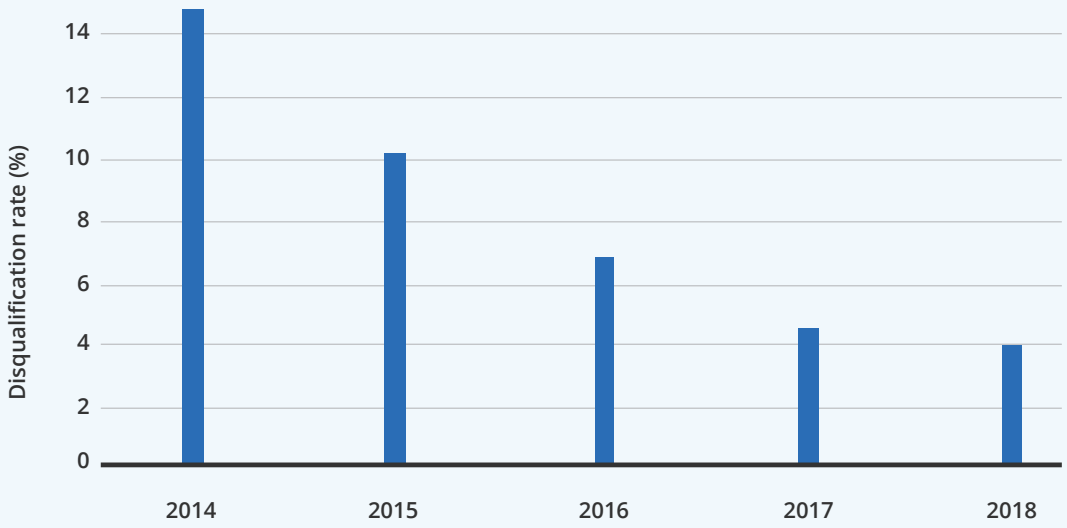
26% of vendors that have registered for RFP opportunities choose to submit to a project

44% of vendors that view project documents go on to make a submission

> *Before organizations evaluate submissions, vendors evaluate the RFP, and often decline to respond based on poor quality RFPs.*
>
> TERRY WHITE, OVUM

How often are vendors disqualified and why?

Our data shows that **4% of submissions are disqualified.** This has been decreasing significantly over the years we've run this study.



Average vendor disqualification rate

2014 - 2018

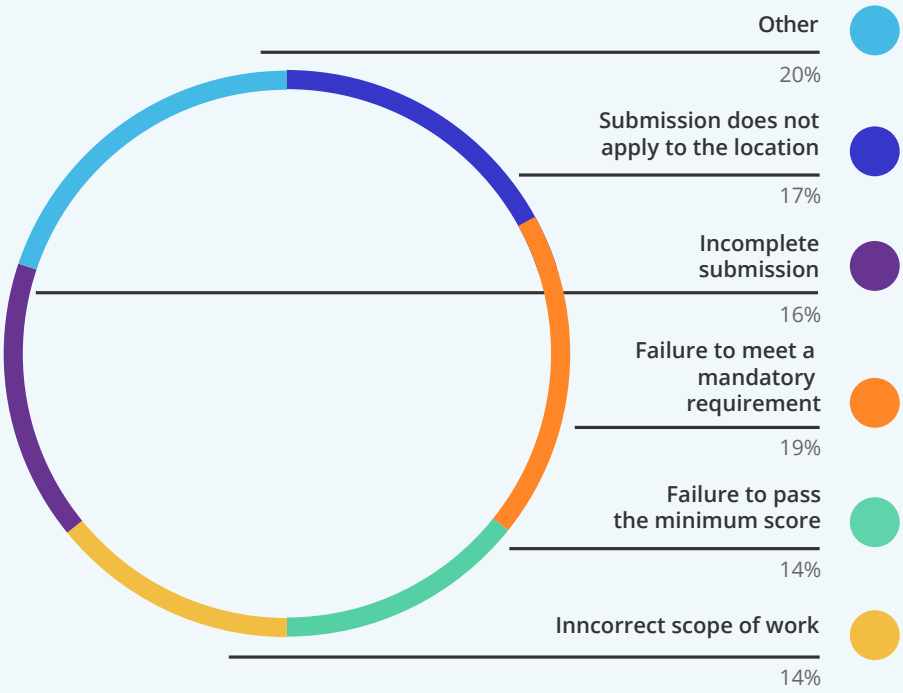
There are a wide variety of reasons that a vendor submission would be disqualified, including:

- Missing required documents
- Failing to meet a mandatory requirement
- Pricing concerns

Fewer and fewer projects are being disqualified due to missing documents. **In 2014, nearly 30% of disqualifications occurred as a result of missing documents. This has decreased consistently and is now at 16%.**

Reasons for disqualification

The below graph shows a selection of disqualification reasons as recorded in the Bonfire platform.



A closer look at vendor participation

This study unearthed a concerning statistic: 12% of RFP projects receive only one submission.

The high instance of uncompetitive RFPs is a major concern, considering the fact that each additional vendor submission increases an RFP's price spread by 3%. Lack of competition undermines procurement teams' ability to ensure best value, causing public organizations to miss out on significant cost savings.

What's at the root of low vendor participation? As noted in the **NIGP Business Council report** on the topic, "a company's quality response to the bidding process says as much about the agency issuing the RFP/IFB as it does about the supplier."

+

Each additional vendor submission increases an RFP's price spread by 3%.

Here are the most common reasons that vendors do not bid:

- Difficulty finding the right opportunities
- Prohibitively time-consuming or expensive submission process
- Unrealistic price requirements
- Specifications written to clearly give another supplier an advantage
- Rigidity of specifications; no opportunity to propose other solutions or include new technologies
- Insufficient timeframe to respond
- Legal terms which do not fit present market conditions

The imperative for transparency should not prohibit a clear and easy-to-navigate RFP process, or a flexible and collaborative approach to engaging the market.

In this respect, procurement acts as a vital link between the vendor community and the buying organization. Procurement must seriously consider the obstacles that prevent vendors from doing business with their organization and develop a program to address them.

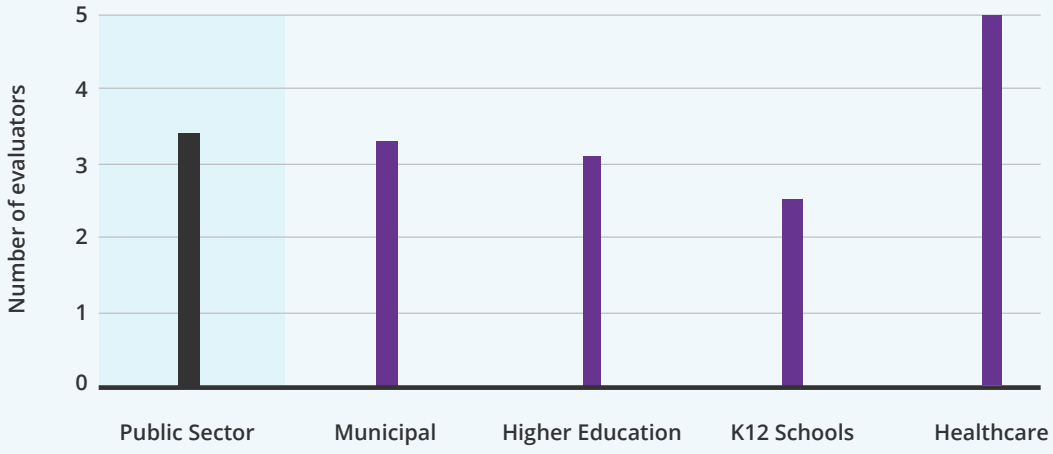
Evaluation Benchmarks

Part Three

How many evaluators are involved in the average RFP?

The average RFP project includes between 3 and 5 evaluators.

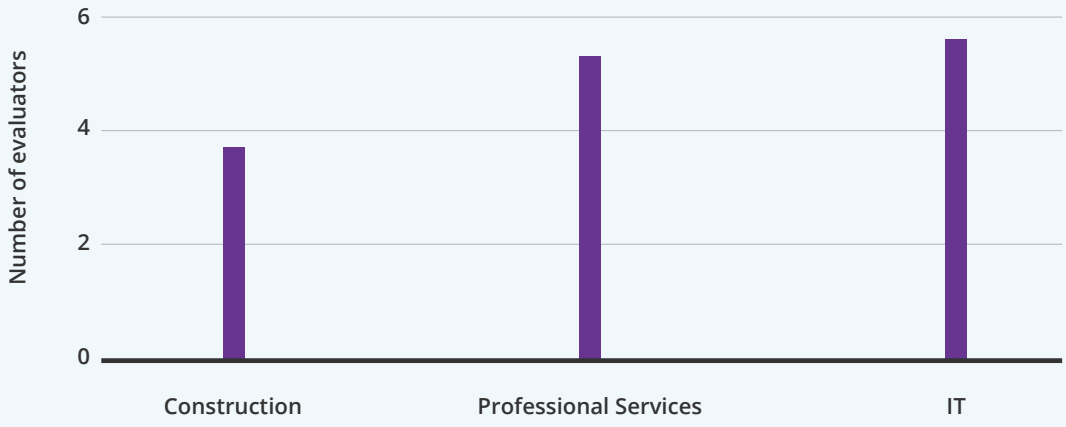
This is consistent with the best practice of including no fewer than 3 evaluators per RFP.



Average number of evaluators per RFP

By organization type

+ Healthcare RFPs include the highest number of evaluators, with an average of 5 per RFP.
+ K12 Schools typically include between 2 and 3.



Average number of evaluators per RFP

By common project type

+ IT projects require the highest number of evaluators (between 5 and 6).
+ Construction projects require fewer (between 3 and 4).

“

IT RFPs should specify the problem and not the solution. They should contract for the problem to be solved, not the technology to be supplied.

TERRY WHITE, OVUM

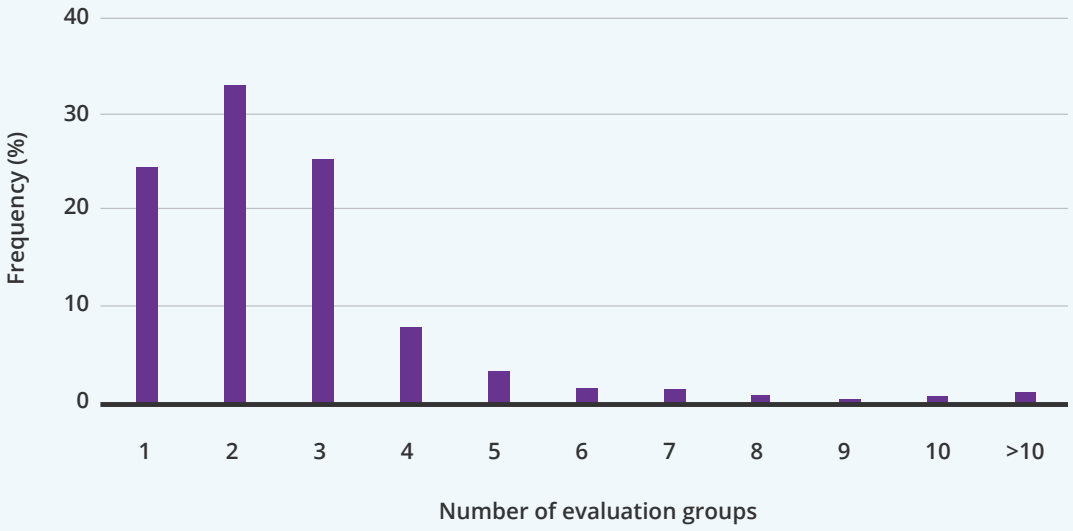
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How many evaluation stages does the typical RFP have?

RFP evaluations often divided into different stages to manage the complexity of the evaluation. Generally, each evaluation stage focuses on one component of the decision, with unique groups of evaluators considering only the proposal content which is relevant to this component.

+ The average RFP project has between 2 and 3 evaluation stages.

+ These likely correspond to the three most common stages: Mandatory, Technical, Pricing.



Average number of evaluation groups per RFP

By organization type

+ Only 5.4% of projects include more than 5 evaluation stages.

What does the average evaluation look like?

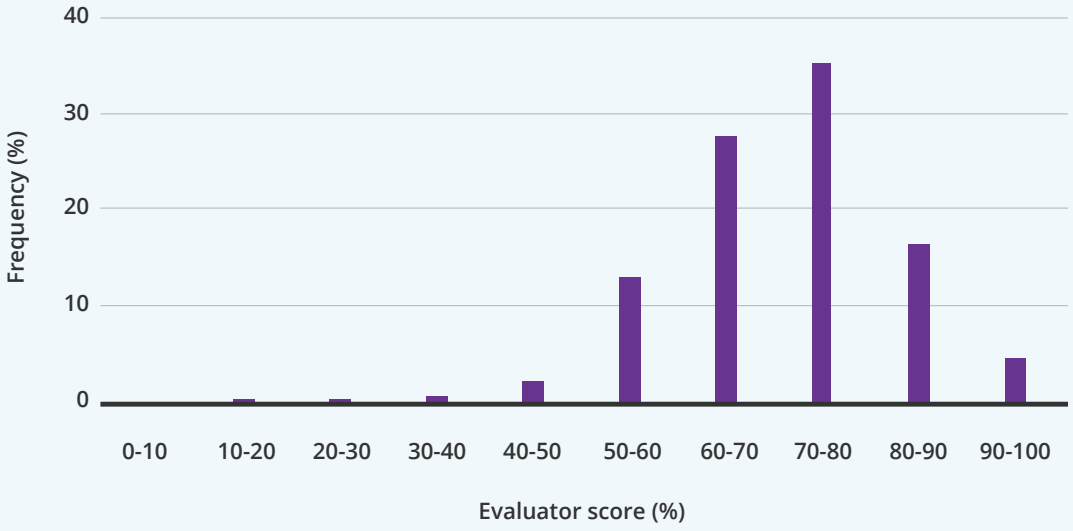
In the average RFP, evaluators review:

4 vendor submissions	Consisting of **5** requested documents/data	Based on **8** criteria	Within the course of **31** days

What is the average evaluator score?

The average evaluator score is 71%.

This is consistent across all types of public sector organizations, and has remained constant over the past several years.



Average evaluator score

% of evaluator scores in the given scoring range

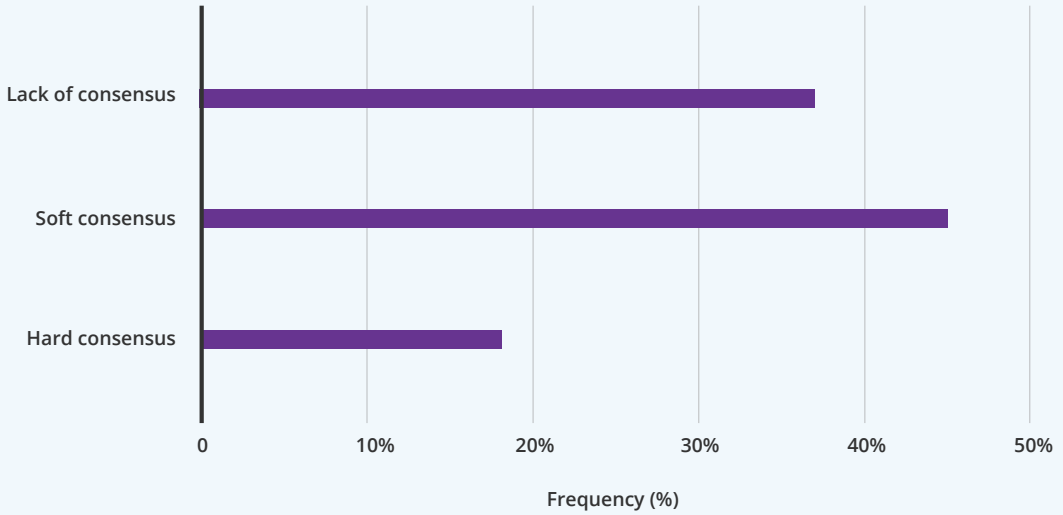
- Less than 4% of scores are under 50%.
- Only 4.4% of scores fall in the 90th percentile

How often do evaluators agree on scores?

37% of scores lacked consensus

45% of scores had a soft consensus

18% of scores had a hard consensus (in other words, they agreed!)



Average evaluator consensus

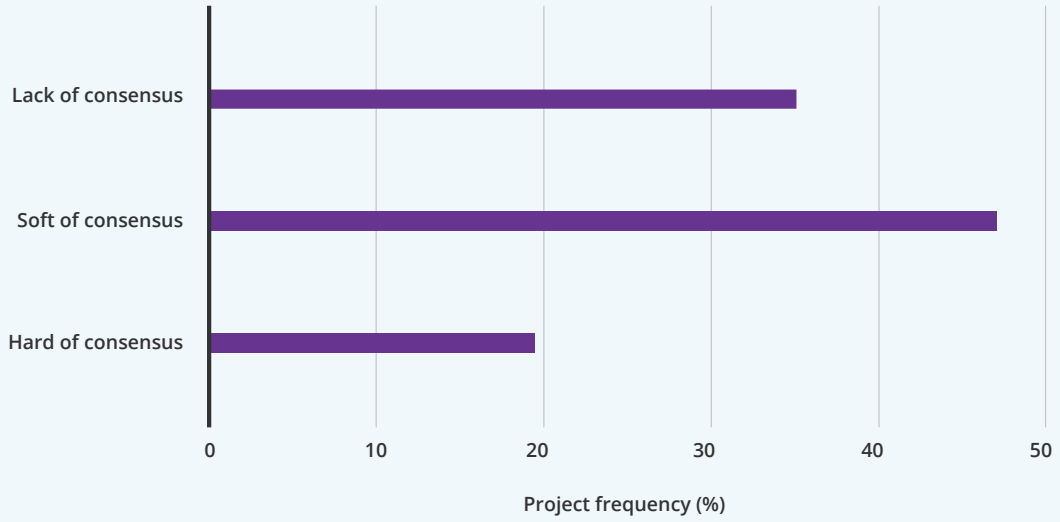
Frequency of score disagreement within RFP evaluations

"Lack of consensus": when any two evaluators' scores for a given criterion differed by 30% or more

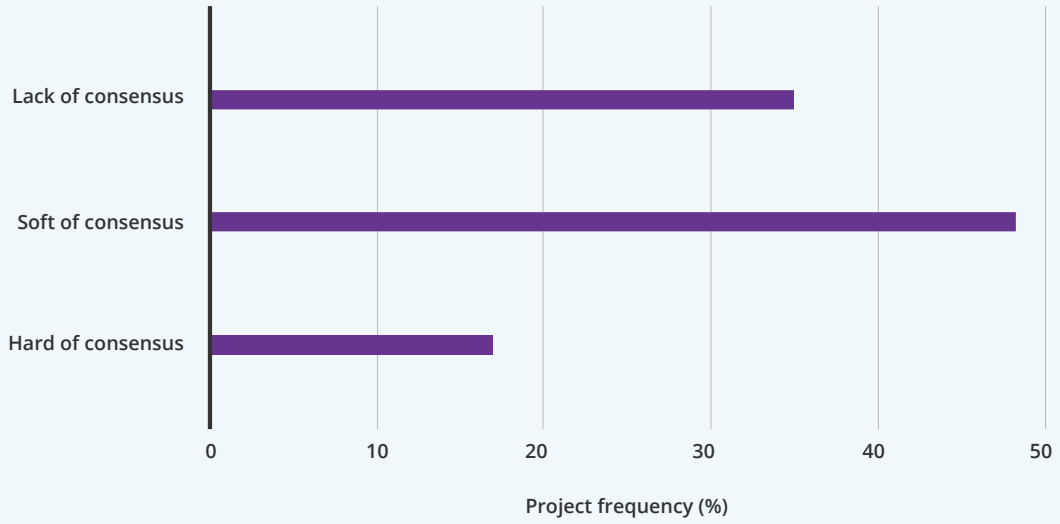
"Soft consensus": when any two evaluators' scores for a given criterion differed by 10% - 30%

"Hard consensus": when any two evaluators' scores for a given criterion differed by less than 10%

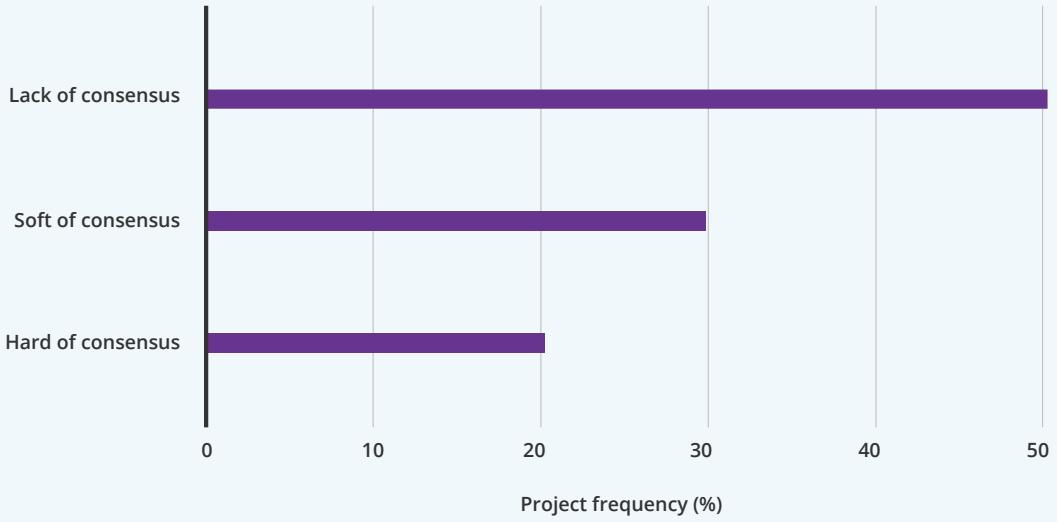
By organization type



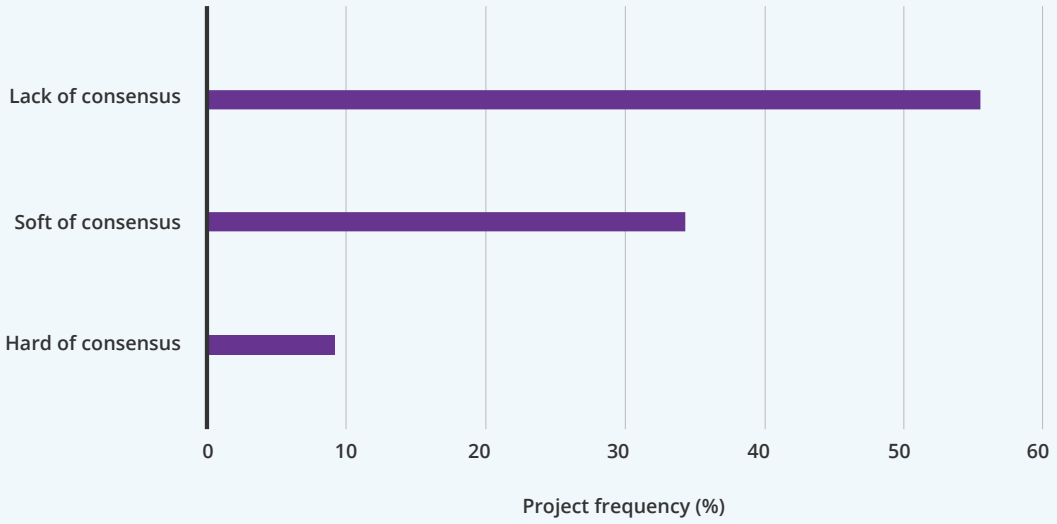
Municipal



Higher Education



K12 Schools



Healthcare

RFPs run by K12 school and healthcare organizations have a much higher instance of disagreement between evaluators, compared to their counterparts in municipal and higher education procurement. This makes sense given that K12 organizations have the longest RFP submissions on average, and healthcare organizations have the most complex evaluations in terms of scoring criteria; more content to evaluate provides more opportunity for disagreement.

Does a bigger evaluation group lead to more disagreement?

Adding more evaluators does not significantly increase the instance of lack of consensus.

+ The addition of one individual evaluator causes a 2.2% increase in the gap between the highest and lowest evaluator scores.

+ The addition of 5 extra evaluators (more than doubling the standard evaluation group size) causes an 11% increase in the gap between the highest and lowest evaluator scores

A closer look at procurement's role in evaluations

Many of the data points in this section underscore the subjective nature of RFP evaluations.

The fact that the majority of evaluator scores are over 70% suggests that most vendor proposals are a good fit for the requirements. However, it's equally possible that vague or unclear criteria could be causing evaluators to score higher, to give vendors the benefit of the doubt.

While there's nothing wrong with differences of opinion in the evaluation process, the fact that nearly 40% of evaluator scores are in disagreement suggests a disconnect. Is it differing opinions, misunderstanding, or missing information that is causing such significant rates of disagreement?

Procurement is rarely asked to make the final call on a vendor—nonetheless, they have an important role to play in moderating the evaluation process to reduce subjectivity and errors and ensure decisions are being made for the right reasons.

It's good practice for procurement teams to run a consensus analysis on evaluator scores, noting and resolving significant areas of discrepancy, either through a follow-up call or a formal meeting. This not only ensures that evaluator decisions are made with the right information, it also helps to bolster defensibility in the high-scrutiny environment of public procurement.

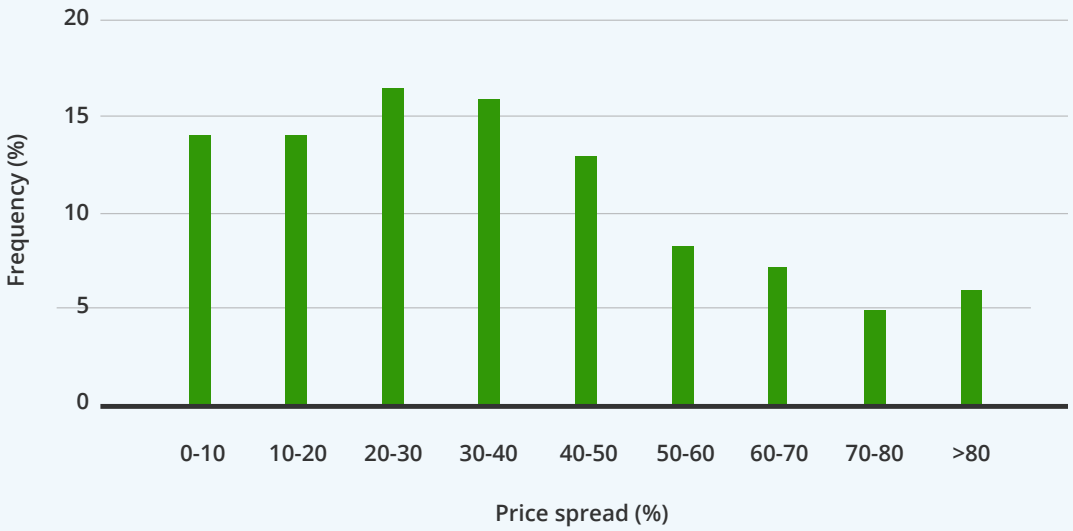
Decision Benchmarks

Part Four

How do vendors compare on pricing?

In the average RFP, there is a 34% difference between the highest and lowest priced vendors.

This is approximately the same across all types of public organizations, with little to no variation year-over-year.



Average vendor price spread

% of RFP projects with a given price spread

Price spread is defined as the difference between the highest and lowest priced proposals.

E.g. On a $100,000 RFP, a 20% pricing difference is equal to $20,000 between highest and lowest priced proposals.

+ 14% of projects had a price spread of less than 10%

+ 27% of projects had a price spread greater than 50%

Factors that influence price spread:

Commoditization of the good or service being procured.

The more commoditized the good/service, the less variation in price spread.

Number of vendors involved.

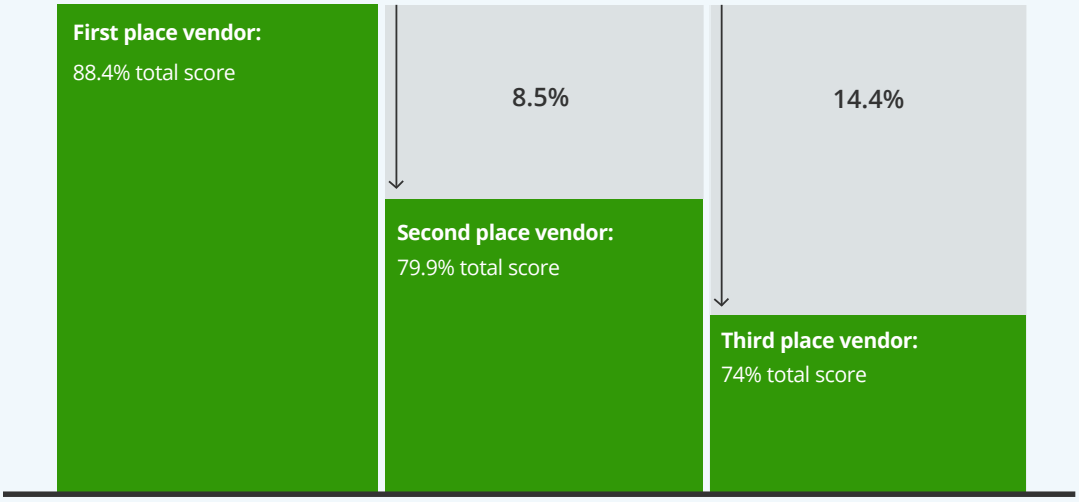
One additional vendor increases the price spread by 3% on average.

Clarity of requirements.

Vendors commonly inflate price when there is risk or uncertainty involved.

How close is the race between vendors?

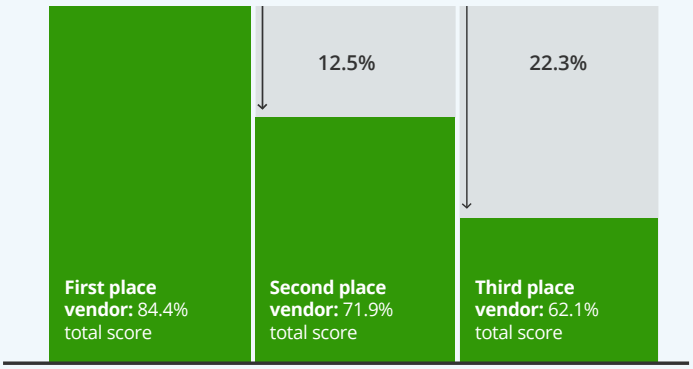
Here's how the first, second, and third vendors stack up in RFPs with three or more vendor submissions:



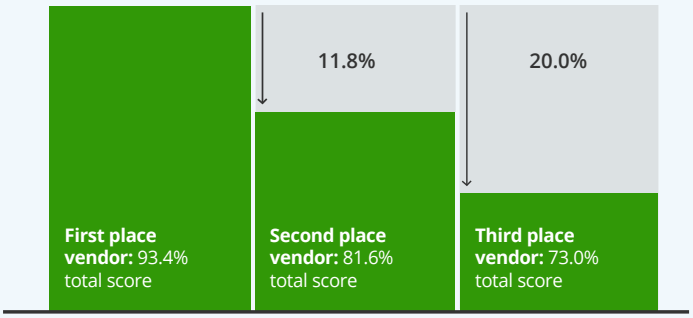
By organization type

+ Healthcare and higher education organizations have the tightest race between their top three vendors.

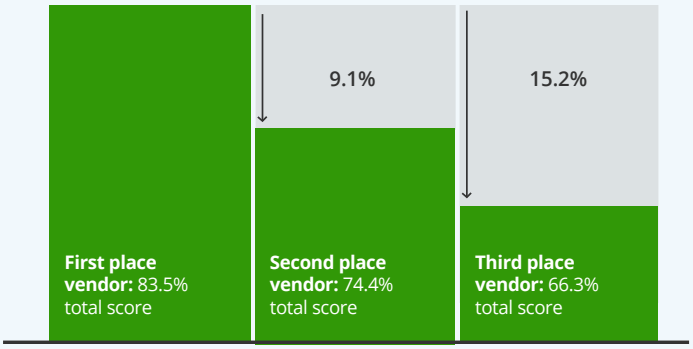
Municipal



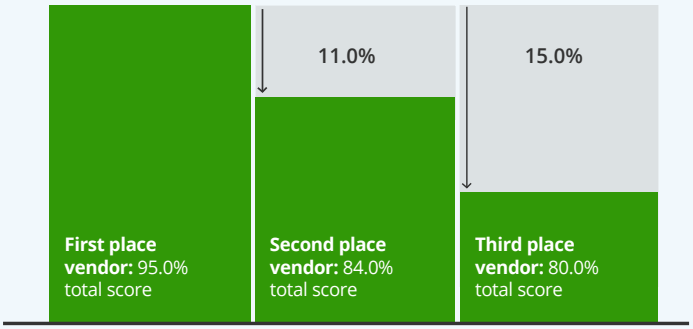
K12



Higher Education



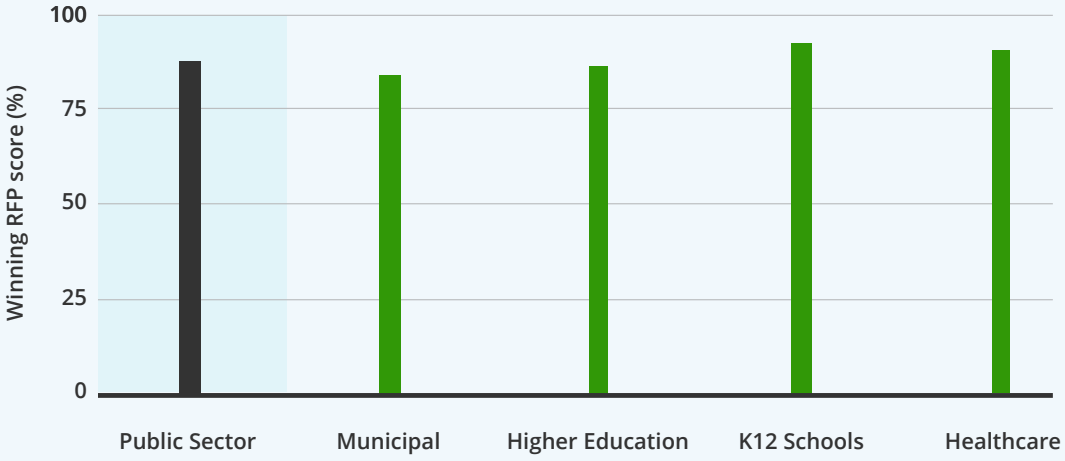
Healthcare



What is the average winning RFP score?

The average winning RFP score is 87.9%.

This means that the winning proposal met nearly all of the organization's criteria—good news for procurement teams and end users alike!



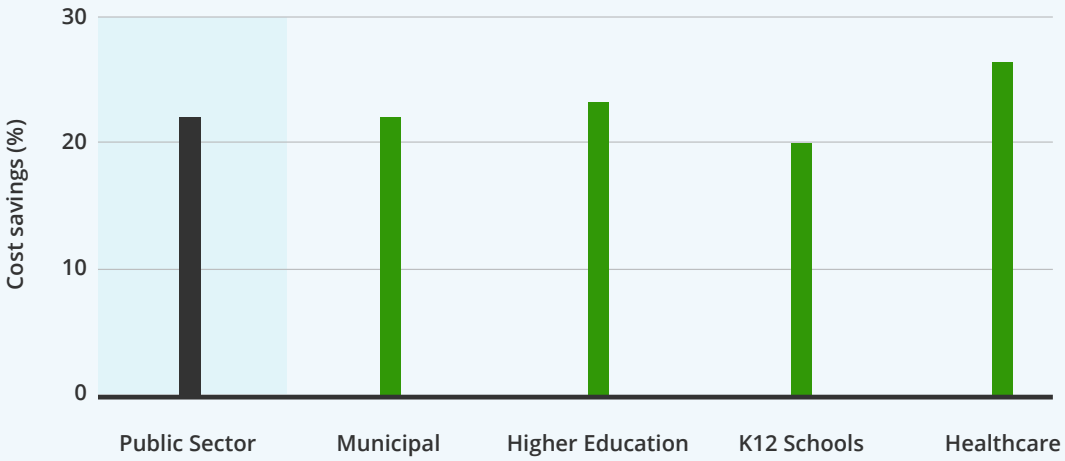
Average winning RFP score

By organization type

+ The average winning score is slightly higher in healthcare organizations and K12 schools compared to their public sector peers.

What does the average RFP save?

The average public sector RFP achieved 22% cost savings, calculated as the difference between the winning vendor's price and the average proposal price for that RFP.



Average cost savings per RFP

By organization type

+ Healthcare organizations are the biggest savers, with 26% cost savings.

+ Other public sector organizations vary between 20 and 22%.

+ Considering the sample size of this study, that amounts to $308 million in cost savings delivered to public sector institutions.

A closer look at cost savings

With their primary goals of transparency, risk avoidance, and best value, public procurement teams lack the single-minded focus on cost savings of their private sector peers. Nevertheless, this study proves that public procurement teams have a significant role to play in optimizing spend for their organizations.

As the administration of the RFP process becomes more automated, procurement teams have greater capacity to consider procurement activities from a strategic perspective.

More sophisticated and targeted strategies, such as reverse auction and Best-and-Final offer stages, are proving successful in the public sector. BAFO in particular has been shown to result in an average of 12% savings when incorporated into a regular RFx project.

Employing new cost-saving strategies in the RFP process is the next frontier for public procurement teams seeking to add more value to their organization.

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Appendix

Construction RFPs at a glance

Av. duration
59 days

Av # of evaluators:
3 - 4

Av # of vendor submissions:
3

Av vendor price difference:
37%

Av total proposal score:
80%

% est savings:
22%

(difference between winning vendor's price and the average proposal price for that RFP)

Professional services RFPs at a glance

Av. duration
62 days

Av # of evaluators:
5

Av # of vendor submissions:
4

Av vendor price difference:
44%

Av total proposal score:
68%

IT RFPs at a glance

Av. duration
70 days

Av # of evaluators:
5-6

Av # of vendor submissions:
4

Av vendor price difference:
37%

Av total proposal score:
76%