Where Procurement Performance and the Supplier Experience Meet

Understanding the Opportunities Associated
with Improved Request Management

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Contents

Foreward

by Beau Wysong, VP of Global Marketing, RFP360

So much has changed over the last few years. As traditional business-to-business processes evolve in response to unprecedented challenges and advancements, reliable data is more valuable than ever to help inform organizational decisions.

That's the reason we engaged Art of Procurement to conduct this survey. They were able to deliver an unbiased, scientific view of the way organizations use RFPs, RFIs, RFQs and other types of information requests to source products and services.

As one of the only companies that develops software for procurement teams that issue information requests and sales teams that respond to those requests, we're always searching for new opportunities to improve the RFx process for everyone involved.

We're pleased and intrigued by the results of the survey and research. Ultimately, with this data, we hope to equip both buyers and sellers to find better ways to collaborate, communicate and engage with one another.

Executive summary

Love them or hate them, the procurement profession has long been associated with RFPs — Requests for Proposals — but this is only one type of information request of many. Request Management collectively refers to the procurement practice of gathering data from a partner or supplier. It includes the management of RFXs (RFPs, RFIs, RFQs), supplier assessments, risk assessments, and security questionnaires. As procurement's scope of activity has expanded, their use of these events has broadened as well, regardless of the technology or platform used to manage them.

Art of Procurement and RFP360 recently partnered to conduct the world's first suvey on Request Management. We gathered quantitative data from over 150 procurement leaders to learn more about their processes, technology, and outcomes, and then supplemented that information with their subjective input on request use and opportunities for improvement. The combination of the two data sets serves as the foundation for this report.
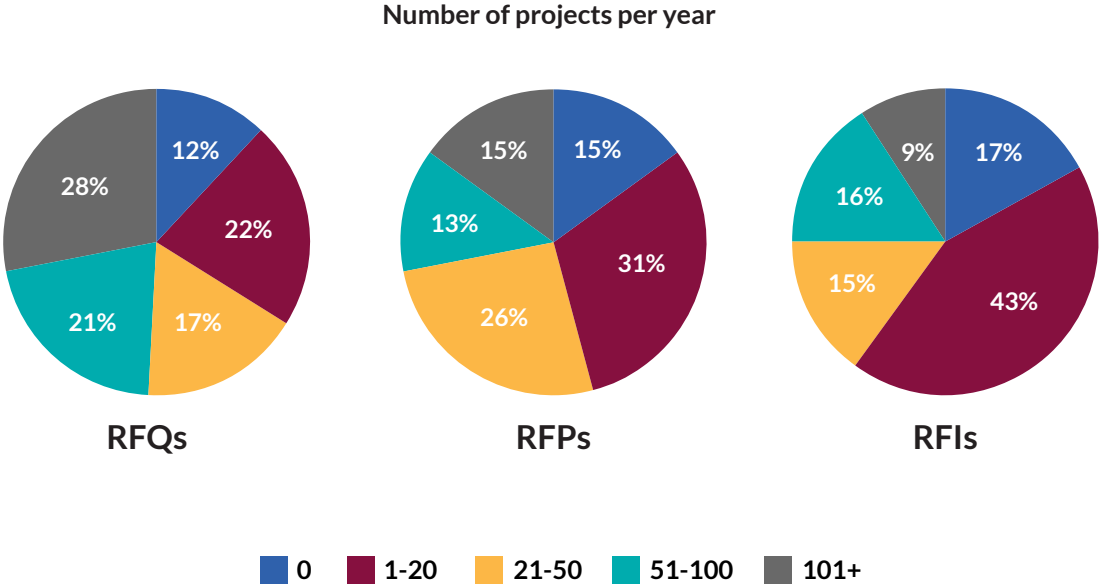
The goals of our research were to:

- Better understand how procurement teams gather data to inform organizational decision-making.

- Recognize the request-related workload and operational challenges experienced by procurement and sourcing professionals.

- Consider the priorities and strategies these individuals and their teams can adopt to improve the performance of their requests while driving better outcomes for the business.

In this paper, you will read about current best (and worst) practices, challenges associated with Request Management, and how procurement can improve their information gathering and analysis efforts.

Key Takeaways

- Of the types of requests listed in our survey, the most popular were RFQs (used by 88.2% of respondents), followed by RFPs (87.5%) and RFIs (82.9%).

Number of projects per year

RFQs: 12%, 22%, 17%, 21%, 28%

RFPs: 15%, 15%, 31%, 26%, 13%

RFIs: 9%, 17%, 16%, 15%, 43%

Legend: 0 | 1-20 | 21-50 | 51-100 | 101+

- Nearly half of companies (48%) ask less than 20 questions per RFx.

- 65.8% of companies use one or more productivity applications (Excel, Word, Email, Google Docs, etc.) for Request Management. Of those, half don't use any other kind of technology (ERP, P2P, RFx, or automation software) in the effort.

- The most time-consuming step in the Request Management process is negotiation and final selection, with 27% of respondents indicating that they spend 5-10 hours on this phase.

- The two most common efficiency/effectiveness-related concerns are defining requirements rather than asking suppliers to create a solution to a business problem (87.5% indicate this is a problem) and receiving incomplete, noncompliant, or poor-quality RFx responses (86.9%).

The Request Management Workload

Request Project Length and Type

Regardless of the type of request event being managed, most respondents run less than 20 events per year. RFQs are the most frequently used type of request, followed by RFPs and then RFIs. When we consider the responses about which event types are not in use at all at each responding company, we find that supplier risk assessments, security questionnaires, and RFP-lites (RFPs with less than 25 questions) are the least likely to be used.

Of the 18.4% of respondents that run over 201 RFQs on an annual basis, the largest concentration (29%) are in manufacturing and over 70% also use an ERP and/or P2P solution. They are also almost evenly split above and below the $1B annual revenue mark, indicating that company size and annual spend are not necessarily drivers for request event volume.

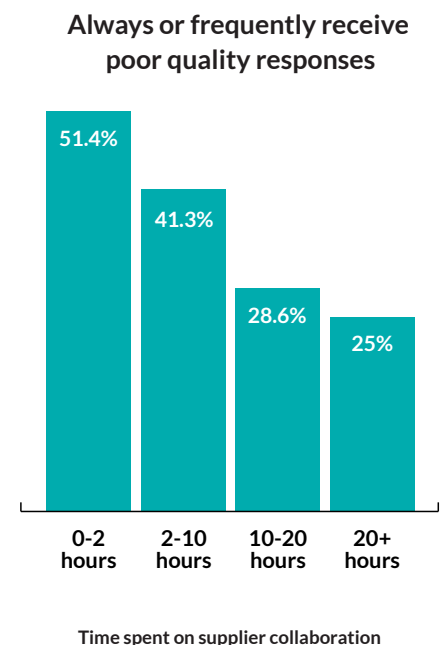## Questions or Data Points Gathered in Each Request Event

Nearly half (48%) of respondents ask less than 20 questions per event on average, and the most common tools they use to manage these requests are productivity-related applications such as Excel, Word, Email, Google Docs, etc. Twice as many of the companies asking less than 20 questions per event use productivity apps rather than an ERP or P2P platform.

Time Spent by Request Project Task

With the exception of negotiation and final selection (which most often takes 5-10 hours per request event), respondents spend 2-5 hours on each of the tasks delineated in the survey.

When we compare the percentage of supplier responses that are considered noncompliant, poor quality, etc. with the amount of time currently spent on pre-request discovery and internal collaboration, we are able to confirm that investing more time in advance of releasing the request to suppliers results in better responses.
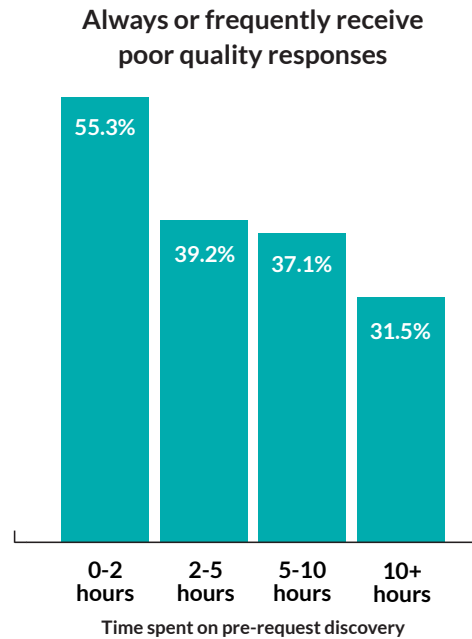
And since the benefit starts to slow above the 20-hour mark, we can also identify a point of diminishing returns, where more time spent collaborating in advance of releasing a request does not deliver a significant improvement in the suppliers' responses.

Always or frequently receive poor quality responses

Time spent	%
0-2 hours	51.4%
2-10 hours	41.3%
10-20 hours	28.6%
20+ hours	25%

Time spent on supplier collaboration

Similarly, we find that the length of time committed to supplier communication also leads to improved response quality.

55.3% of companies that only spend 0-2 hours communicating with suppliers per event report that they always/frequently receive poor-quality responses.

The percentage of response quality issues decreases as more time is spent communicating with suppliers, but we don't observe a significant improvement associated with spending more than 5 hours on the activity.

Always or frequently receive poor quality responses

0-2 hours	55.3%
2-5 hours	39.2%
5-10 hours	37.1%
10+ hours	31.5%

**Time spent on pre-request discovery**

Request Management Technology Use

Of the technologies included in this survey, 65.8% of respondents are using productivity applications (Excel, Word, Email, Google Docs, etc.) to manage their request events.

Of the companies using those technologies, the group is split evenly between those that only use productivity applications and those that also use at least one of the other types of software specified.
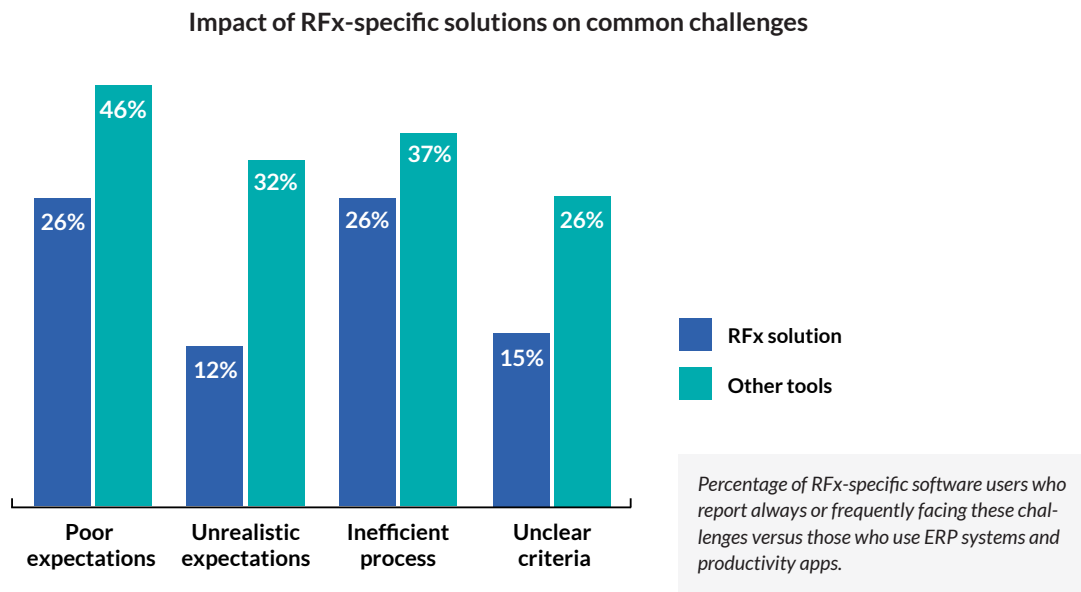
Technology combinations used in request management

ERP
18%

17%   1%

4%

Prod. apps
33%

RFx
6%

4%
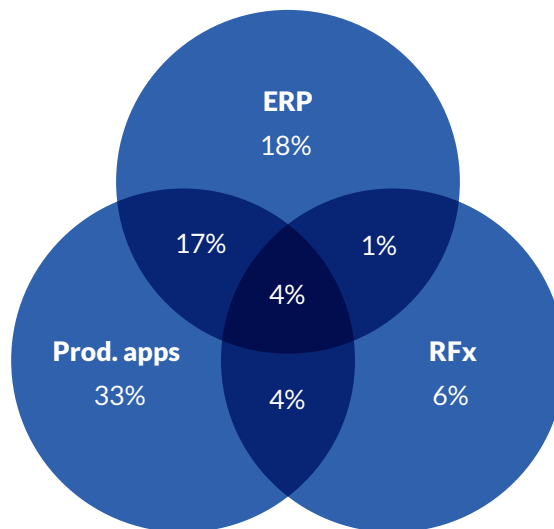
In addition:
8% use some other combination of tools
9% use a bespoke tool or other solution

We uncovered several correlations that indicate the use of RFx-specific technology offers process and quality-related advantages for the business.

1 Companies that use Request Management software experience a 20% improvement in supplier response quality. Specifically, those using RFx-specific tools report a 25.9% rate of incomplete, noncompliant, or poor-quality supplier responses, while those who rely on other software types (including productivity software) have a 46.4% likelihood of receiving poor-quality responses.

2 A similar observation can be made for the connection between using Request Management software and process efficiency. 36.8% of companies that do not use RFx-specific software report that they always/frequently have inefficient processes, while only 25.9% of companies using RFx tools face the same challenge.

Impact of RFx-specific solutions on common challenges

Percentage of RFx-specific software users who report always or frequently facing these challenges versus those who use ERP systems and productivity apps.

3 Last but not least, we see implications for the parts of the request process that affect the stakeholder experience.

These findings also align with the subjective feedback we received in response to our question about what one thing respondents would change in order to make their Request Management process more successful. 26% emphasized the need for more automation, followed by improved processes and better/earlier stakeholder engagement.

When we dig deeper into the responses about automation, a secondary trend emerges that indicates the importance of the user experience (UX) for both the buyer and supplier sides of Request Management technology.

Of the references to user experience and user interface, many include references to other, more process-oriented pain points with poor communication, intermittent collaboration, and slow processes being most common. This further supports the idea that better Request Management software design can address both automation and process-related challenges for the many user groups involved in these projects.

Understanding the Supplier Experience

With strategic supplier partnerships becoming more important year after year, understanding how the Request Management process affects them and their ability to offer valuable, competitive responses is critical to overall effectiveness.

The most striking finding in this area is that suppliers only have a 1 in 5 — or 20% — chance of being awarded new business when they are competing in an RFx process where there is already one (or more) incumbent suppliers. Fortunately, all supplier responses are being put to good use by most companies, with 59.2% of respondents stating that they refer to the RFx when conducting their supplier negotiations.
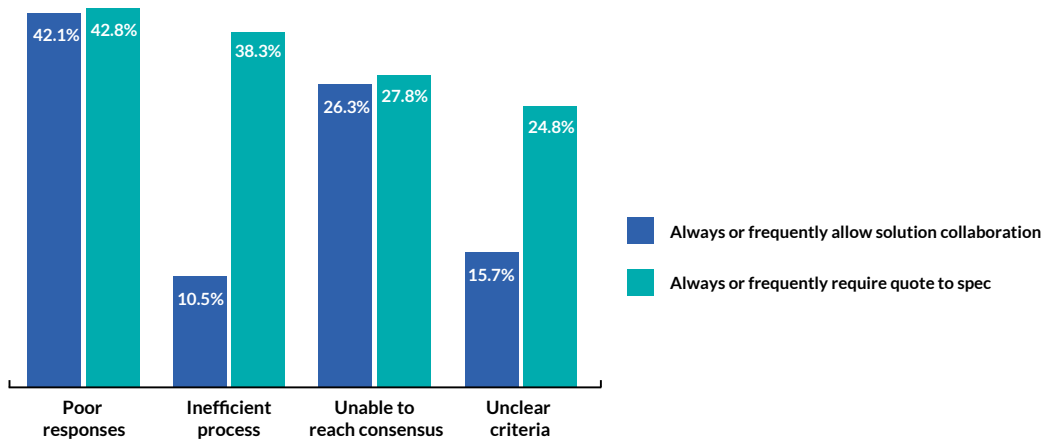
We also explored the correlation between allowing suppliers the freedom to provide solutions to business challenges versus confining them to a strict scope of work. It is considered a best practice to allow suppliers to be creative (within reasonable limits), but most of the time companies push them into a scope believing that they know what they need and that achieving an apples-to-apples comparison is critical to the outcome. What we discovered contradicts this widely held belief.

The data collected in this survey does not indicate that there is a correlation between requiring strict proposals and being able to avoid the most common Request Management process challenges.

The findings indicate that allowing for subjective evaluation criteria:

- Makes supplier responses easier to review. Not only does the insistence upon apples-to-apples not bear fruit, but it is actually a significant negative.

- Does not lead to an increased incidence of incomplete supplier responses.

- Does not interfere with the business's ability to reach consensus in the decision-making process.

- Does not put the process at increased risk of inefficiency or disorganization. In fact, the process is three times more disorganized when companies don't allow their suppliers to be creative with their responses.

The impact of solution collaboration versus quote to specifications

Legend:
- ■ Always or frequently allow solution collaboration
- ■ Always or frequently require quote to spec

	Poor responses	Inefficient process	Unable to reach consensus	Unclear criteria
Always or frequently allow solution collaboration	42.1%	10.5%	26.3%	15.7%
Always or frequently require quote to spec	42.8%	38.3%	27.8%	24.8%

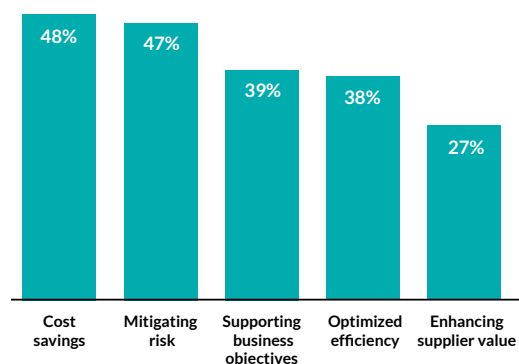# Measuring Procurement's Performance

When we rank each of the performance metrics in terms of their very important response rate, saving the organization money is the most important, followed by mitigating risk and ensuring compliance, supporting larger business objectives, improving efficiency/productivity, and enhancing the value of supplier relationships.

When we compare these performance priorities to process effectiveness and implications for the supplier experience, we can make the following statements:

- The organizations that rank enhancing the value of supplier relationships at the top levels of importance spend the same amount of time communicating with suppliers as those organizations that do not prioritize the development of supplier relationships.

- When improving procurement, efficiency and productivity are rated at higher-than-average levels of importance, 68% also have an efficient, organized RFx process.

- Two thirds of the respondents report that supporting larger business objectives is very important (4 or 5), and yet, 52% of those companies always/frequently feel that they are working with unclear or unrealistic business expectations, while only 17% rarely/never do.

This group of respondents also reports the same distribution of time frames on internal collaboration as do all of the survey respondents, indicating that desiring better alignment with the business does not necessarily change the tasks and activities of Request Management teams.

Factors rated very important to measuring procurement success

Cost savings	Mitigating risk	Supporting business objectives	Optimized efficiency	Enhancing supplier value
48%	47%	39%	38%	27%

Conclusion

When we consider the sum total of this data and our interpretation of its meaning, we find that there are many connections between procurement's ability to deliver creative, value-oriented solutions in collaboration with internal stakeholders and suppliers and the technology that they have at their disposal — as well as where they focus their attention and how they engage with the business.
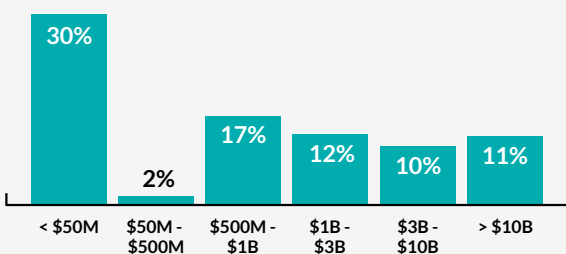
Among the most striking findings that are worthy of additional discussion on a team-by-team basis are:

1 The time allocated to each phase of the Request Management process can help advance procurement's objectives and address the supplier experience.

2 Procurement's ability to describe each business problem or opportunity in detail for suppliers rather than dictating the solution they must bid on is key to discovering solutions that deliver more than savings.

3 The ROI associated with allowing suppliers to reflect creativity and solution differentiation in their request responses is a source of value procurement can deliver that does not interfere with the efficiency of the Request Management process.
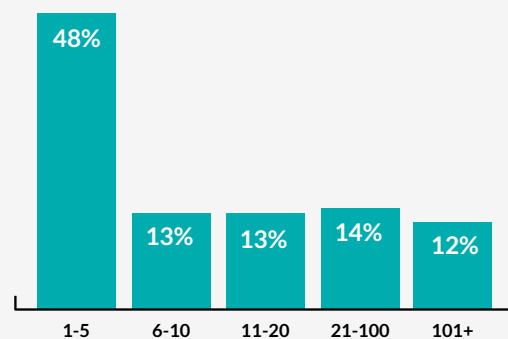
Respondent Profile

The respondents to this survey reflect a range of industries and company sizes. 80% of the respondents work in organizations with procurement teams of 50 employees or fewer, and 62% have fewer than 10. 40% are Director level and above, another 48% have Category Manager or equivalent titles.

Company size by revenue

Category	Value
< $50M	30%
$50M - $500M	2%
$500M - $1B	17%
$1B - $3B	12%
$3B - $10B	10%
> $10B	11%

Procurement team size

Category	Value
1-5	48%
6-10	13%
11-20	13%
21-100	14%
101+	12%

About Art of Procurement

Art of Procurement helps forward thinking procurement professionals seize the strategic opportunities associated with purpose-driven supplier and spend management. Our community is made up of industry trailblazers that share insights and help shine a light on the strategies, tactics, and tools that procurement teams use to elevate their impact. For more information, visit artofprocurement.com.

About RFP360

RFP360 empowers sourcing and procurement teams to centralize their RFx process — collecting insights, evaluating proposals and working with colleagues and vendors/suppliers in a single, digital workspace. In addition to making smarter buying choices, customers improve efficiency, mitigate risk and increase engagement when issuing RFPs, RFQs, RFIs, vendor assessments and more, visit rfp360.com.