



Measuring the value of RFP software

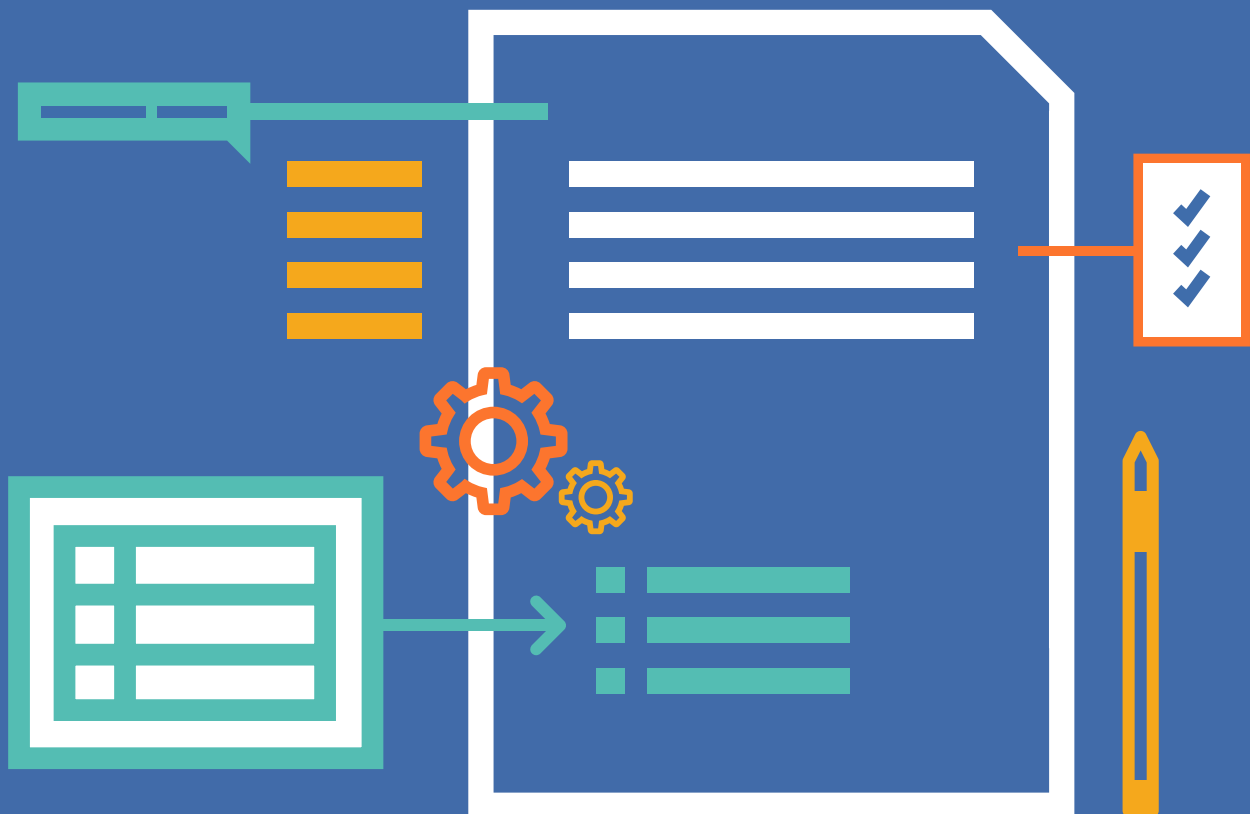
How to evaluate and increase the benefits
of digital proposal management

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Introduction

RFP software is transforming the way that businesses exchange crucial information. From requests for proposals (RFPs) to security questionnaires and beyond, RFP software provides a platform for businesses to centralize knowledge, exchange information and build relationships between buyers and vendors.



With RFP technology, businesses are improving efficiency, collaboration and transparency. Despite these benefits, the exact value of having an RFP software solution often remains abstract and unclear. It's common to hear users look back a year or more after deployment and wish that they had documented the time it took to execute their previous processes. With RFP software, improvements to productivity are usually remarkable. However, lacking historical data, these gains can't be accurately quantified — leaving the return on investment (ROI) of RFP software a mystery.

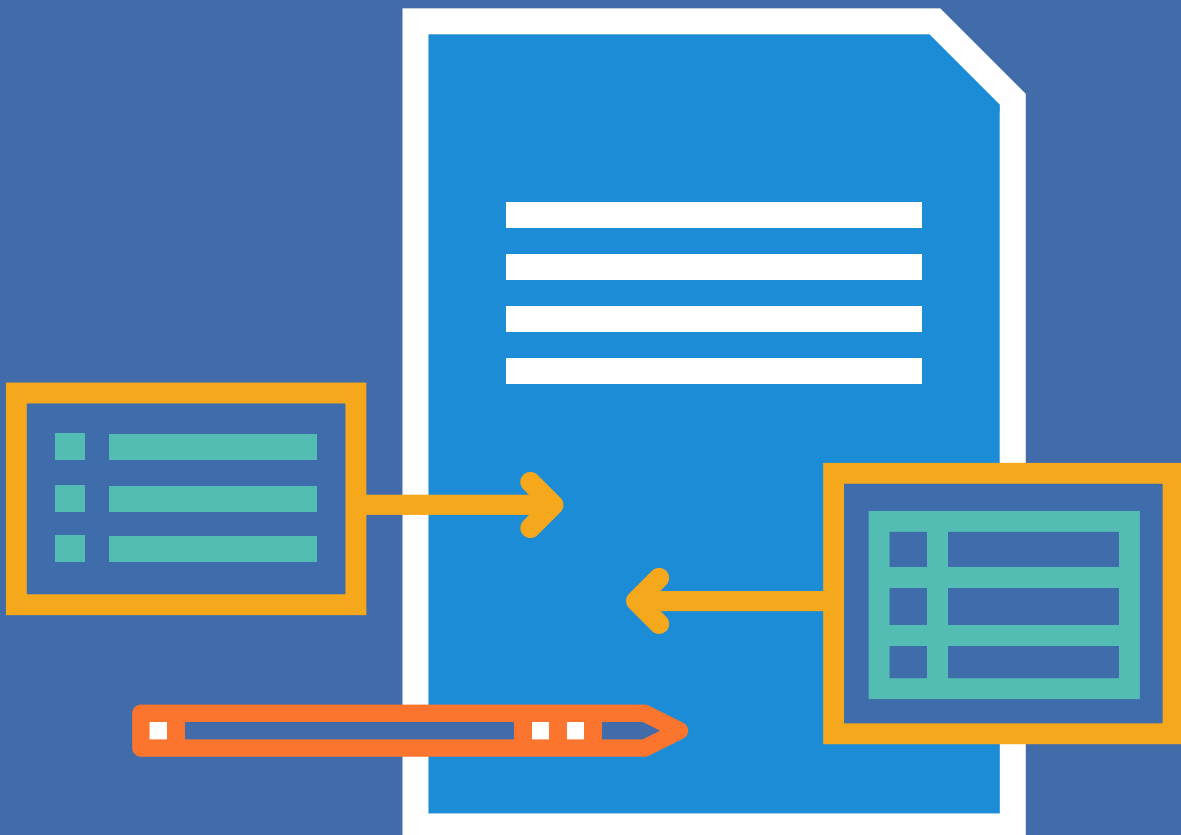
Planning ahead to calculate the ROI of a technology investment is a great way to highlight the larger value of your proposal or procurement team as well as the strategic advantage you bring to the business.

For this reason, it's important to explore and understand RFP software, its benefits and how to calculate the return on investment before you select your next solution.



A brief overview of RFP software

Let's start with the basics. What is RFP software? RFP software centralizes and catalogs common question and response content in a knowledge library. The knowledge library is the cornerstone of any RFP software. It serves as a single source of truth for all question and answer content.



Within the knowledge library, proposal issuers and managers, subject matter experts (SMEs), stakeholders and executive-level approvers can work together to compile questions and answers, communicate with external contacts, search for information, review and approve content. The RFP platform then uses this content to either issue or respond to any RFx.

RFP software vs enterprise systems

RFP solutions meet a very specific need — they make the process of asking and answering questions easier, more accurate and efficient. Unlike enterprise resource planning platforms (ERPs) that offer tools spread out across a host of e-procurement functions, RFP software is highly specialized in one area. Some ERP systems may offer basic e-sourcing and responding functionality, but RFP software focuses exclusively on delivering intuitive tools to improve the RFx process. So, you likely won't spend all day, every day working in an RFP platform — but when you need it, it will save you a huge amount of time and effort.

A cloud-based RFP software is a great addition to your IT stack. It does for RFPs what Slack does for communication or what Asana does for project management. It won't replace an existing technology but instead brings digital transformation to a largely manual, paper-intensive and dated process.

Because RFP software focuses on one area, it is far more affordable than an ERP system, which may have a whole host of expensive features that your business doesn't need. It's also quick to deploy, easy to adopt and fast to add value. It is a cost-effective tool that solves an immediate problem.

According to the most recent Deloitte CPO survey, 74 percent of businesses have already adopted technology to automate the sourcing process. Another 13 percent are exploring software with pilot programs. And 37 percent rated sourcing as the area that technology will have the biggest impact on in the next two years.

Those numbers represent a huge investment in improving the RFP process. So how can you prove that RFP software is worth it? And how can a business be sure they are getting the most value out of their RFP technology?

Source:

"Tech-Over." Deloitte Insights, <https://www2.deloitte.com/us/en/insights/topics/operations/chief-procurement-officer-cpo-survey/2019/digital-procurement-technologies-automation.html>.

Why you should measure software ROI.

Businesses use technology to become more agile and strategic. There's no shortage of software tools that promise to deliver transformative benefits. In fact, a study estimated that the average business user has 191 logins to remember. That's a lot of technology that your business has invested in. Accordingly, Gartner estimates enterprise software technology spend in 2019 at \$457 billion.



Sources:

"Average Business User Has 191 Passwords." Security Magazine RSS, Security Magazine, 6 Nov. 2017, <https://www.securitymagazine.com/articles/88475-average-business-user-has-191-passwords>.

"Gartner Says Global IT Spending to Grow 0.6% in 2019." Gartner, <https://www.gartner.com/en/newsroom/press-releases/2019-10-07-gartner-says-global-it-spending-to-grow-06-in-2019>.

Digital transformation and cloud migration has been, and continues to be, a priority for many businesses. But IT departments have discovered that purchased solutions are often underused or entirely unused. These undeployed or poorly adopted solutions are called shelfware. Shockingly, it's estimated that \$12.3 billion is wasted on shelfware each year.

As a result, IT teams are focused on reducing waste. A recent study shows that 65 percent of IT teams undertook license audits last year to identify unused software. Known waste in this area means that technology budgets are tighter and spend must be justified, verified and updated regularly.

So, before you set your sights on RFP software, be ready to measure ROI.



Sources:

Fogarty, Kevin. "Shelfware Costs U.S. Companies \$12.3 Billion, Survey of Guesstimates Shows." ITworld, 19 Apr. 2011, <https://www.itworld.com/article/2743634/shelfware-costs-u-s--companies--12-3-billion--survey-of-guesstimates-shows.html>.

"Shelfware,' Software Audit Costs on the Rise." EnterpriseAI, 7 Mar. 2016, <https://www.enterpriseai.news/2016/01/28/shelfware-software-audit-costs-on-the-rise/>

5 factors to measure for complete ROI

How do you prove that an RFP software tool is a wise investment for your business? Start by examining your current process and weighing the features of RFP software that will impact ROI. Creating an ROI estimate takes abstract benefits and turns them into something more tangible — actual figures that will have an impact on the bottom line.

5 factors to measure for complete ROI:

1. Capture what you can quantify
2. Define how you'll spend the time you've saved
3. Explore benefits and intangibles
4. Expand opportunities
5. Consider costs

ROI basics

Proactively reporting on ROI is an opportunity to position yourself as a valuable resource and strategic thinker. It also illustrates your attention to detail and commitment to using company resources wisely.

ROI has three main factors:



Increased revenue



Increased productivity

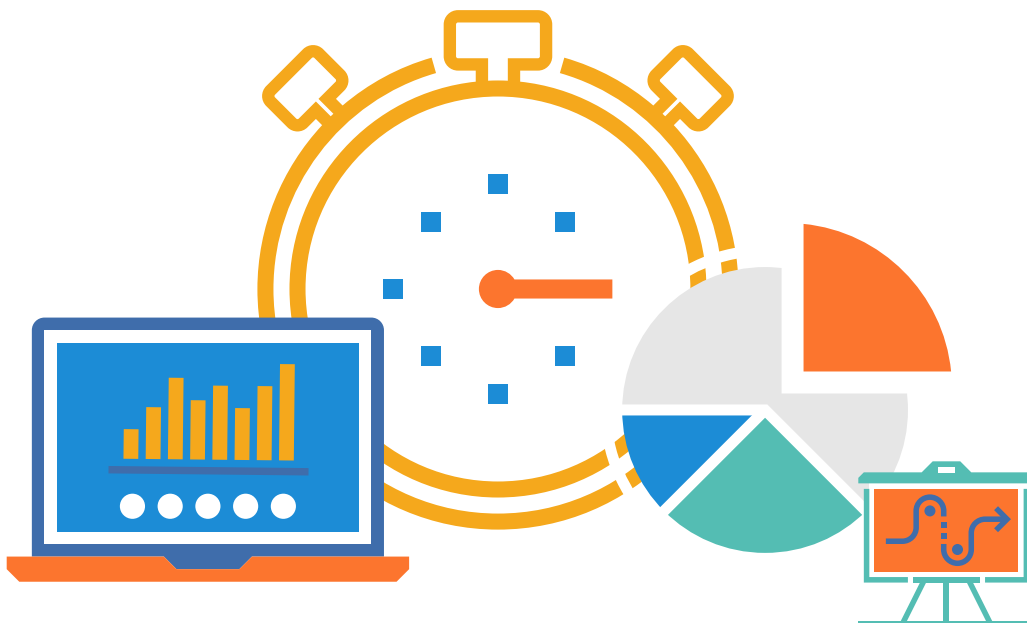


Reduced costs

The ROI equation is this: Gain from the investment less the cost of the investment divided by the cost of investment. The result will be your percentage of return.

$$\text{ROI} = \frac{\text{Gain from investment} - \text{Cost of investment}}{\text{Cost of investment}}$$

To get the most accurate measure of ROI possible, you must benchmark the cost of your current processes before you deploy the solution.



1. Capture what you can quantify

In order to assign a dollar value to your gain from the investment, establish a baseline cost of current operations that will be improved by RFP software. Then, estimate gains by projecting the reduction of time and effort required.

The RFP process is different for issuers and responders, so we'll offer suggested areas to focus on for both.

Time costs to calculate for procurement professionals

Estimate time spent on each step of your RFP process:

Pre-RFP communications

How much time do you spend communicating with internal stakeholders discussing the project, establishing needs, selecting potential vendors and sourcing key questions? Factor in both your time and the stakeholder's time.

Creation and approval

When you've collected all the required information from your stakeholders, how long does it take to build the RFP? Even starting from a template, you must still add the project information, create sections, customize the questions, provide additional documentation and more. Once you have it all together, you still need final approval. Don't forget to factor in that time as well.

RFP and vendor management

On average, how many questions do you receive and respond to from vendors as they work through the RFP? Do you regularly provide updates, additional documents and reminders?

Proposal evaluation

After you've received your bids, estimate how much time it takes to compile the results and build side-by-side comparisons. Then estimate the time required to coordinate with individual stakeholders and subject matter experts to score and manually weight the relevant sections. Include the time spent by all approvers and response scorers. Be sure to consider how many vendors you typically engage with and how much time you spend compiling results.

Response reporting

How long do you spend creating charts and graphs to visualize responses? Once you have a shortlist, do you summarize the results in a memo for stakeholders? Do you conduct post-proposal negotiations to further reduce costs?

Time costs to calculate for proposal managers

Searching for responses

Do you search through content spreadsheets, old emails and recent proposals? How long does it take to find the right answers? Then how much time do you spend customizing the content by searching for and replacing information like company name, project name and contact name?

Consulting with subject matter experts

Connecting with subject matter experts (SMEs) via email? How much time do you spend sending the questions out to SMEs and providing context? Then how much time do you spend following up with gentle reminders? Be sure to include the time required by the SME to compose or update the response.

Seeking answer approvals

Whether you found a previous answer you can update and reuse or you received a new answer from an SME, it needs to be reviewed and approved. Estimate how long you spend requesting approvals from various departments as well as the time it takes the approver to review the proposal.

Proposal formatting

Before submitting the response, it will need to be formatted and polished. How long does it take marketing to review and tweak the proposal to ensure brand consistency?

Final sign off

The RFP deadline is approaching, how long will it take you to get the final sign off from executive-level approvers? How many times will you need to email? Will they have edits or need more information? Calculate both your time and theirs.



2: Define how you'll spend the time you've saved

The biggest benefit of RFP software is efficiency. So, if you have more time in your day, how will you use it to deliver value to your business? There are likely projects that immediately come to mind. Keep track of how you use your extra time and the results of those efforts.

Consider these examples:

With more time, RFP responders can:

- Shorten sales cycles and explore new sales opportunities
- Respond to additional RFPs and win more business
- Analyze RFP data for trends and predict outcomes

With more time, RFP issuers can:

- Explore opportunities for additional cost savings
- Create and optimize proposal templates
- Analyze and report proposal data
- Improve vendor profiles and relationships
- Expand and improve knowledge library
- Focus on other e-procurement initiatives

3: Explore benefits and intangibles

Some benefits of RFP software are straight forward while others are harder to track, but no less important. Outline the predicted perks of implementing RFP software. Then, detail the steps you will take to track ROI and verify your predictions.

Benefits for RFP issuers:

- Cost savings derived from improved strategic sourcing
- Reduced time required to create an RFP using templates
- Improved visibility to vendor options with profiles
- Transparent communication with internal stakeholders
- Time saved with automated weighted scoring
- Clearer side-by-side comparisons with color-coded scoring
- Improved insights from historical vendor response data

Benefits for RFP responders:

- Improved win rates across the business
- Increased proposal response volume
- Reduced time required to prepare proposals
- Optimized content based on successful responses
- Reduced risk of sending out incorrect proposal responses
- Better visibility to changes and updates to proposal content
- Time saved selecting correct answers based on usage data

Additional RFP software benefits include:

- Reduced time required to onboard new employees
- Protection from loss of knowledge with employee departures
- Improved morale by removing redundant, mundane tasks
- Enhanced process transparency and workflow tracking

4. Expand opportunities

RFP software goes beyond simple RFx documents. The technology can be used for any type of standardized question and answer document that is regularly issued with recurring questions. So you can increase ROI by deploying the solution to other departments.

RFP software use cases:

- Procurement teams can issue and proposal managers can respond to RFPs
- IT and security teams can respond to security questionnaires
- Finance and legal can issue or respond to due diligence questionnaires
- Marketing and knowledge management teams can provide boilerplate answers to common questions to improve brand consistency across the entire company

Getting other departments to buy in will further increase the RFP software's value and it may also allow you to share some of the cost with other departments.

5. Consider costs

The last factor to consider in RFP software ROI is cost. Cost isn't just the number that appears on your invoice. When calculating costs, you must also account for the associated time cost. Consider the time you spend planning for deployment, building your knowledge library, implementing the solution and training your users.

The success and value of software largely depends on its adoption. If no one can use the tool or understand it, you won't achieve the full potential. This is why usability and customer experience are crucial considerations when buying technology. A tool that has an intuitive design and easy-to-use features will greatly reduce the time required to onboard and train users.

When you talk to vendors, you'll want to ask these key cost questions:

- What is the cost per user?
- What is the cost per project?
- Are there storage limits and data fees?
- How much are the integrations and add-ons?
- How long will implementation take?
- How much is additional training?
- What is the cost if your team grows or proposal volume increases?

The answers to these questions will have a big impact on the total cost. Some RFP solutions charge based on varying factors like users, data storage and concurrent projects.

These numbers will change as your business evolves and grows, so consider potential future costs. Some vendors offer an unlimited option that makes calculating cost simple.



RFP software ROI study results

Businesses are realizing the benefits of the software and many are seeing significant ROI. RFP360 recently conducted a customer survey to evaluate the returns of RFP software.

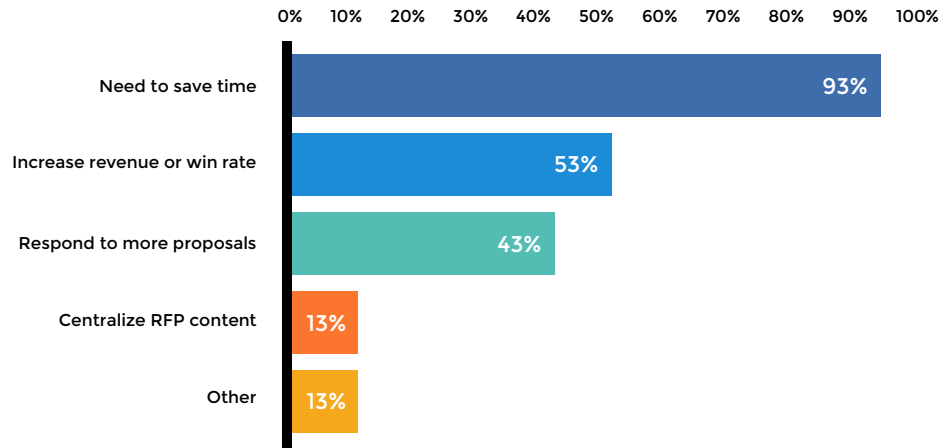
The results illustrate the benefits that businesses hope to get out of an RFP software investment, the actual benefits they see and the importance of measuring ROI.



Why do businesses purchase RFP software?

Most respondents indicated several reasons for their interest in RFP software. The majority said that they wanted to save time, respond to more proposals or increase their win rate. Others indicated they were seeking a way to centralize and organize their RFP content.

Factors that influenced RFP software purchases

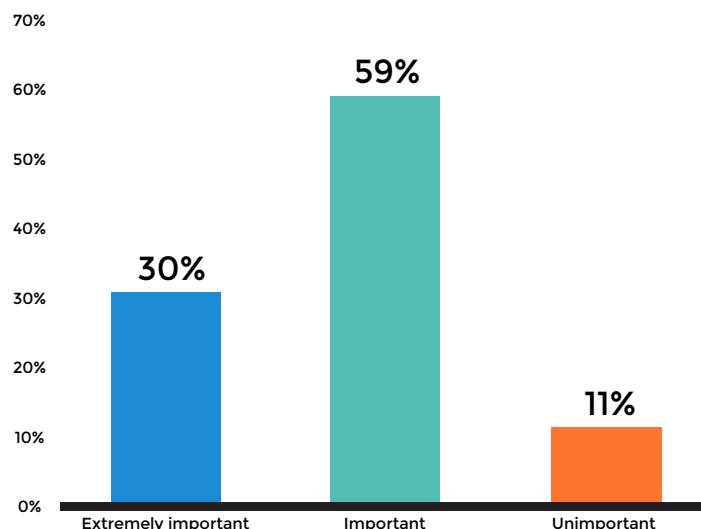


Most people who responded indicated that more than one factor was considered when evaluating their purchase. They also noted that they use the software for other questionnaires like due diligence and security evaluations.

Does ROI really matter?

Of those surveyed, most indicated that ROI was a key component of their technology evaluations.

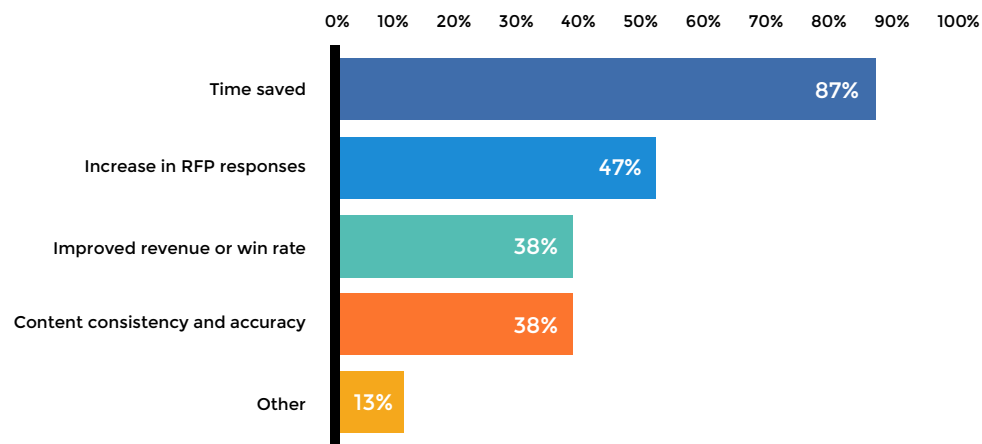
Importance of measuring software ROI



How does a business quantify the value of RFP software?

When asked how they would describe the value of RFP software to the business's leadership, most said they would quantify the value by tracking their time saved or the number of additional proposals they were able to respond to.

Factors used to report ROI



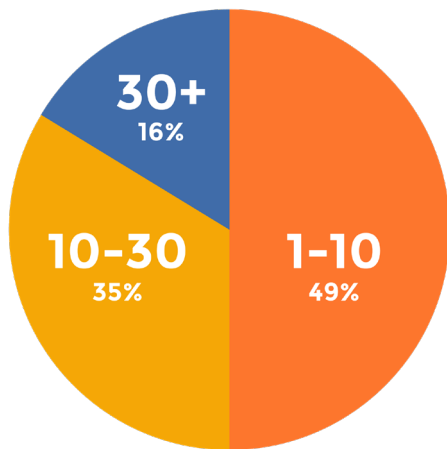
Most respondents reported that they saw value in multiple areas. One participant said they use the knowledge library to share technical content with their re-sellers.



How much time does RFP software save?

The time that RFP software users save varies depending on the responding user's role and the business's needs. Around half of those surveyed said that RFP software saved them more than 10 hours per month.

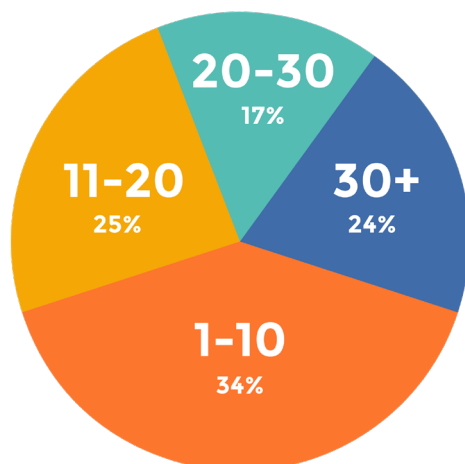
Time saved per month with RFP software (in hours)



How long did it take to see improvement?

After training it can take some time to ramp up and see value from the investment. This period is called time to value (TtV). It's a metric that measures the effectiveness of the customer experience team and the ease of use of the solution. The shorter the time, the faster users begin seeing a return on the investment.

RFP software time to value (in days)



6 RFP software must-have features

So how do you select a software solution that is going to yield a good return on investment? These six factors have the biggest impact on total value.



1. Automation and workflow features

Automation and features are key to generating value. RFP automation saves a ton of time. So it should be a focus in your search for RFP technology. Not everything within the RFP process can be automated perfectly yet, so inspect vendor claims and check data quality. Look for a solution that leverages AI to match common questions to their responses.

Features are also a huge factor in ROI. Look for simple, practical features that meet your needs and don't get in the way. Too many features can overwhelm users. Check for regular updates and enhancements to the platform that apply to your business.

2. Internal and external collaboration

Centralizing and organizing communication with your internal team and stakeholders as well as external RFP contacts saves time. Rather than searching through email trails, RFP software provides structure as well as a transparent view of current and historical discussions. So questions can be addressed quickly and with confidence.

3. Knowledge library

Every RFP solution should include a searchable content hub that allows your users to easily collaborate. Users should be able to quickly customize knowledge library content to meet their needs, but also be assured that audit records will be kept to preserve knowledge. Subject matter experts and contributors should be empowered to proactively provide updates to the content assigned to them. The ultimate goal of the knowledge library is to enable users to select content and feel confident that it is up to date and accurate.

4. Intelligent extensions and integrations

RFP technology should work with the programs you use. Look for knowledge extensions that allow you to use your knowledge library while working on your document in programs like Chrome, Firefox, Word and Excel. These business tools are important to your process, so your technology should work well with them. The software should also integrate with key CRM and productivity applications to seamlessly support efficiency.



5. Best-in-class usability and support

Not everyone who works on RFPs is a superuser. RFPs require input from many departments and subject matter experts with varying levels of technical skill. Pick a solution that is easy-to-use, so even subject matter experts and approvers who are generally occasional users can jump in without extensive training.

Look for a highly-rated customer success team. They should guide you through deployment and focus on delivering fast time to value. In addition, one-on-one support availability and a helpful library of help articles are must-haves.

6. Experience and stability

RFP software should be designed to improve the process for both RFP issuers and RFP responders (buyers and vendors). With a full-circle view of the experience, both parties benefit from better outcomes.

With any SaaS technology provider, you can expect regular updates and enhancements from your RFP technology, but make sure the company has the experience to deliver genuinely useful features that you can count on. Ask for information about uptime and service level agreements. Also, be sure to ask about their data security protocols.



A powerful tool to improve value

Empowered with technology, procurement and proposal managers can issue and answer requests quickly, accurately and confidently. The collaboration and transparency provided by RFP software helps build closer relationships between buyers and vendors.

Measuring the value of technology isn't hard — if you're prepared. It really comes down to four simple steps:

1. Find the right tool
2. Establish benchmark stats
3. Measure returns and benefits
4. Evaluate ROI

With these steps, you can highlight the value of your work and your team to the business by taking advantage of available technology. Just as you deliver value to your business, RFP software can deliver a great deal of value to your RFP process.

To learn more about RFP technology,
contact us at info@rfp360.com.

