



WHAT IS THE
DIFFERENCE BETWEEN
RFP, RFQ
AND INVITATION TO
TENDER?



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PROCUREMENT ESSENTIALS

In the world of contract management and procurement, there are a variety of ways the tendering stage can work. A key part of planning any piece of work to be done, is determining who is going to do that work; and setting out the terms of reference and evaluation criteria for awarding the contract to the winning bidder.

Most owners or clients know full well that they will likely not get exactly what they want. Nevertheless, they obviously still require a way to determine the best fit subcontractor or supplier to give them the best value for money. Of course, in the private sector, choosing a vendor doesn't always require a bidding process at all – and in many cases a sole-sourced vendor is chosen and a purchase order contract awarded directly. Often this is not the case of course, and so the owner/client requires some understanding of the types of tendering contracts they have to choose from when going to market to solicit a competitive bid.

While each company (or government) has their own policies and contract rules around tendering bids, there are generally three methods of competitive bid solicitation to choose from:



Invitation To Tender



Request For Quotation



Request For Proposals

All three methods are identical from the legal point of view and so are contractually binding in the same way. It goes without saying therefore, that the terms, descriptions, power reserved, evaluation criteria, etc. set out in any of the contract types is critical to ensure both a lawful and smooth relationship between client and vendors.



What we often get asked, is “What’s the difference between the three?”

INVITATIONS TO TENDER

These are typically used in major construction projects where the Owner knows in detail what they want. The invitation to tender document contains detailed specifications for the performance of the work as well as detailed qualifications and requirements for the Bidders to meet.

REQUESTS FOR PROPOSAL (RFP)

These are typically more openly written so as to push the definition of work down to the vendor. RFPs are used in situations where the client either can't – or doesn't want to – define the Scope of Work up front to an adequate level of detail. Often clients are faced with situations where they know what they want to achieve, but they don't have the expertise or time to figure out how to get there. They need to rely on the experience and creativity of subcontractors to define the best path to success.

REQUESTS FOR QUOTE (RFQ)

The RFQ is a lot like the Tender, however typically smaller in size and scope. They're often more geared towards clients who are seeking pricing information for a defined scope of work or supply of materials or equipment. Like the Tender, the specifications, terms and expectations are well laid-out and the vendor has fewer obligations for defining the scope themselves.

From the feedback we hear, the client can use whatever name they want for the contract they use. So, in practice, you can call it an RFQ when what you're really creating is an RFP. The important thing to remember is to be clear to the vendors what the expectations are; and for the client to be certain about the legally binding aspects of these contracts. Competitive bidding needs to be carefully planned and executed so as to minimize any potential legal issues. Once you start, it's not easy to stop! So make sure you have a good plan in place as to what you want and what you don't want. Whatever procurement management software you use, you should also be sure that there are good controls and visibility into the tendering, bid evaluation and awarding processes.



MANAGING THE PRE-AWARD PHASE

In terms of managing the Pre-Award phase, there are a number of management tools which could be useful to the buyer or contract manager, depending up on the procurement process of the team.

REQUESTS FOR INFORMATION (RFI)

If the Owner is not sure what or who it wants, a RFI could be issued to potential bidders, requesting that they provide information about themselves or what they might be interested in. To keep the RFI from turning into a full-blown competition, the Owner should not seek fixed pricing in the RFI nor offer any award of a contract as a result. RFIs should only be used to collect non-binding information in order to decide what to do next. For example:

- Sole source
- Fully compete the work in a competitive bidding process
- Do nothing



PRE-QUALIFICATION OF BIDDERS

If there is enough time, pre-qualifying Contractors as Bidders is an excellent method of determining who is or is not capable of doing the work as well as who might be available.

DEVELOPING A BIDDER'S LIST

Over time, developing a Bidders List is also a good tool for the Contract Manager. Sending out periodic "Statements of Qualifications Requests" to the bidding community at large will not only help to determine which Bidders to be sure to invite, but can also be utilized to improve the number of potential Bidders in the future.



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