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For more information, contact
MIT Global SCALE Network

Postal Address:
Massachusetts Institute of Technology 77 Massachusetts Avenue, Cambridge, MA 02139 (USA)

Location:
Building E40, Room 267
1 Amherst St.

Access:
Tel: +1 617-253-5320
Fax: +1 617-253-4560

Email: scale@mit.edu
Website: scale.mit.edu

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The Request for Proposal: Creation, Sharing and Management of Information in the Tender Process
Vinod Parmar
For Full Thesis Version Please Contact:
Marta Romero
ZLOG Director
Zaragoza Logistics Center (ZLC) Edificio Náyade 5, C/Bari 55 – PLAZA 50197
Zaragoza, SPAIN
Email: mromero@zlc.edu.es
Telephone: +34 976 077 605
The Request for Proposal: Creation, Sharing and Management of Information in the Tender Process

By Vinod Parmar
Thesis Advisor: Dr. David Gonsalvez

Summary:
This thesis tackles the question of what the best practices are to create an efficient Request for Proposal during a tender process. It highlights the main issues faced by our sponsor company when it tries to communicate the necessary information from a service provider and vice-versa.

Vinod Parmar is currently studying Master of Engineering in Logistics and Supply Chain Management from Zaragoza Logistics Center, Spain. He has done his Master of Technology and in Industrial and Management Engineering from Indian Institute of Technology, Kanpur, India and Bachelor of Technology in Information Technology from Rajasthan Technical University, India.

KEY INSIGHTS
1. The issues faced while communicating information with service providers
2. Decisions that need to be taken in order to generate an efficient Request for Proposal document
3. A prototype document designed in order to give an on-hand experience of a proposed RfP

Introduction
Pharmaceutical industry supply chains have become more complex due to stringent government regulations and business expansion. Moreover, most of the logistics functions of the Pharma companies are managed by third Party Logistics Service providers (LSP). Thus, LSP selection is a key strategic supply chain decision that affects the supply chain efficiency of an organization.

It is important for the Pharma companies to identify potential LSP using the best qualitative methods that maintain balance between costs and quality of the services without compromising the transparency of the overall LSP selection process. The focus of an RfP should be to find a prospective partner rather than cost reduction.

There are multiple tools available, on which organizations rely in order to find the most apt service provider who can deliver all the requirements of an organization’s logistics operations such as Request for Information (Rfi), Request for Quotes (RfQ), Request for Tender (RfT) and Request for Proposal (RfP). Out of all these available tools for information sharing our focus area will be RfP. Logistics RfP outlays the terms and conditions related to the expected services, before hand, and allows the bidding LSPs to provide unique solutions adhering to the specified conditions. Thus, a standard RfP is an important tool that facilitates the comparison among service providers.

Some researchers have given a comprehensive example of procurement through RfP, and other have identified financial stability, customer service
capability, and price as the most important criteria used by firms in selecting their logistics partners. A detailed data analysis has shown that service related clauses are often contractually determined by companies.

We will try to determine the characteristics of desired RfP for MediArial (an alias for the research sponsor company).

**Introduction to MediArial**

MediArial is multinational Pharmaceutical Corporation headquartered in the United States. The company develops and produces medicines including vaccines for a wide range of medical requirements covering oncology, immunology, diabetology, and so on.

In order to supply products to hospitals, pharmacies, medical agencies and directly to patients distributed across different geographic locations, MediArial enters into partnerships with local LSPs. The outsourcing of logistics operations helps MediArial to focus on its core business functions and the LSP takes over region specific logistics related functions.

Each country has its own compliance and regulations related to transport and storage of medical products that a pharmaceutical company has to adhere to. In addition, the changing economic and market conditions force the company to change its distribution model over time. Thus, partnering with the “right” LSP is vital for the overall business operations and strategy of MediArial.

**MediArial’s Current RfP Process**

All the concerned departments of MediArial prepare the attachments for RfP. These attachments contain information about process, fee, volume, legal, financial, and business transition plans related information. MediArial has to invest substantial amount of time and human efforts in order to create a Logistics RfP. But RfP does not cover all the information requirements of the LSP. Thus, the proposals submitted by the LSPs do not allow a quick and efficient comparison of competing LSPs’ proposals. In addition, the MediArial expects the RfP to reduce any deviations from the submitted proposals by the LSP in later stages of selection process and reduce the amount of human efforts required to process the information during the LSP selection process.

The major issues with the current RfP are enlisted in the next section.

**Issues with Current Process**

Interviews with MediArial’s Supply Chain teams and RfP process document analysis show the following shortcomings with the current RfP process as practiced by MediArial:

- Time consuming
- Time lags during each stage
- Resource consuming
- Lacks visibility mechanisms:
- Different information to different users:
- Difficulty to compare
- No feedback mechanism

**Desired Process Characteristics**

The interviews with MediArial’s Supply Chain teams and literature from academia and industry experts displayed that the following characteristics are desired in any RfP:

- Easy to improve
- Continuous measurement of efficiency
- Clear flow of information
- No residual/ unnecessary steps
- Minimum makespan time for the process
• Widely acceptable
• Reliable
• Self-evolutionary
• Easier business process management

Analysis and Key Findings

We carried out academic literature review, analyzed the current RfP process and documents, held interviews with sponsor company’s representatives and LSP representatives in order to benchmark the current pharmaceutical RfP practices and documented the issues faced by the LSPs.

The key findings were as follows:

• Only few attachments of the RfP result in the bulk of issues
• Business technology, process overview and volume information are the major topics of discussion between the LSP and MediArial.
• All the companies from pharmaceutical sector seek similar KPI from LSPs.
• The compliance and regulatory requirements are dependent on local laws specific to countries and the LSP has to follow these regulations.
• LSP wants a clear distinction between mandatory and “nice to have” requirements from the RfP.
• The details of the responses should be contained within 10-20 pages per proposal.
• There should objectivity in the way questions are answered during the overall RfP process.
• Multiple communications channels can be used to communicate information with the LSP but some LSPs don’t prefer online proposal submission.
• A secure portal in order to store the RfP document with access control should be put in place.
• The RfP attachments should be split in different categories based on the content.

Recommendations

Based on the key findings, we were able to recommend changes to MediArial’s RfP process in order to make it more aligned to current expectations of LSP as well as industry.

• We propose a hybrid RfP process that covers the short answer format of Request-for-information (Rfi) but allows the LSP to express its ideas for an improved process.

Figure 3 Hybrid RfP process for MediArial

• A feedback form would also help in improving the selection process over a period of time. The feedback form will capture all the expectations of LSP as well as the latest industry practices.

Figure 4 Feedback form of LSP

• The supporting documents like gap lists, proposal outlines and Q&A documents should be used as data sources in order to collect more information about the potential information requirements of LSPs.
• A guideline document attached to the RfP will help new LSPs generate better proposals.
• The attachments should be categorized in different buckets based on the information each attachment carries.
• There should be a more detailed proposal outline in order to capture comments made by LSP at a single place and allowing it to
select from a given list of acceptance choices.

Conclusions

- **Be Explicit**: MediArial should try keeping the requirements as explicit possible. It should make sure that LSPs clearly understand the RfP documents. There should not be confusion over which requirements are mandatory for the contract and which will add value to MediArial’s logistics operations, e.g., mark clearly which requirements are “mandatory” for the contract and which requirements are "nice to have".

- **Instruct through the responses**: MediArial should make sure that the proposals it receives from LSPs are based on a standard format. This will allow it to make fair comparison of different LSPs without investing a lot of human effort just to bring parity in the proposals, e.g., restrict the LSP to a limit of 10-20 pages in proposals.

- **Open for suggestions**: MediArial should leverage the expertise of LSPs in order to improve the overall experience of the RfP. MediArial can collect feedback on its RfP process from each LSP accompanying the proposals. This feedback can then be used to monitor the efficiency of RfP process as well as keep MediArial updated about the latest progress throughout the pharmaceutical industry.

- **Adapt to changing environment**: MediArial should collect ideas from the LSPs regarding the best of breed approach that companies follow in their process, e.g., use a secure IT portal rather than using email based sharing of RfP with potential LSPs.

- **Try to focus on limited set of attachments at a time**: From the analysis, it can be noted that most of the issues related to partial acceptance/ non-acceptance of attachment terms come from a small set of overall attachments. MediArial should focus on these specific sets of attachments in order to reduce the number of conflicts that arise between MediArial and LSP during contract terms and conditions.

References


