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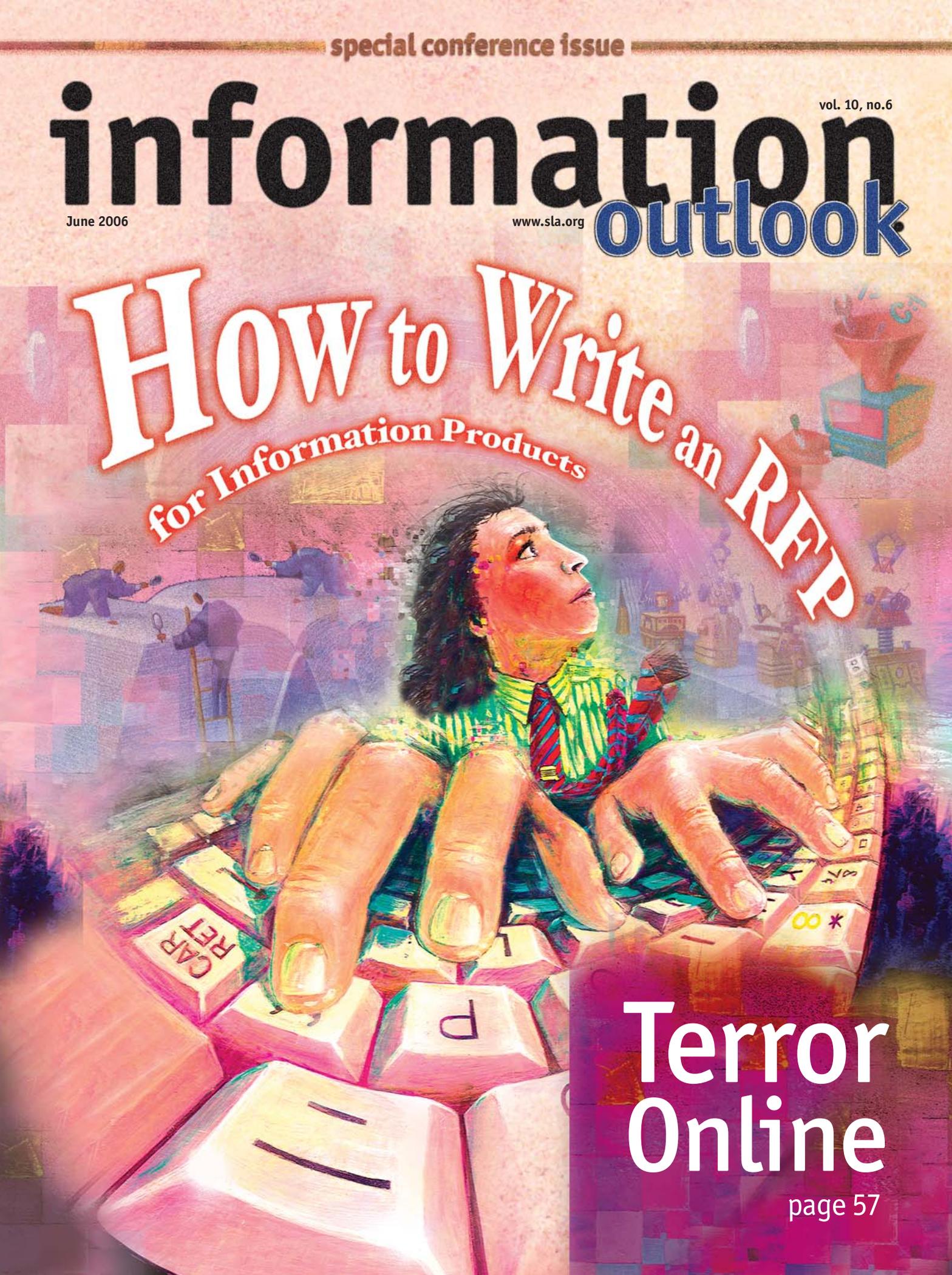
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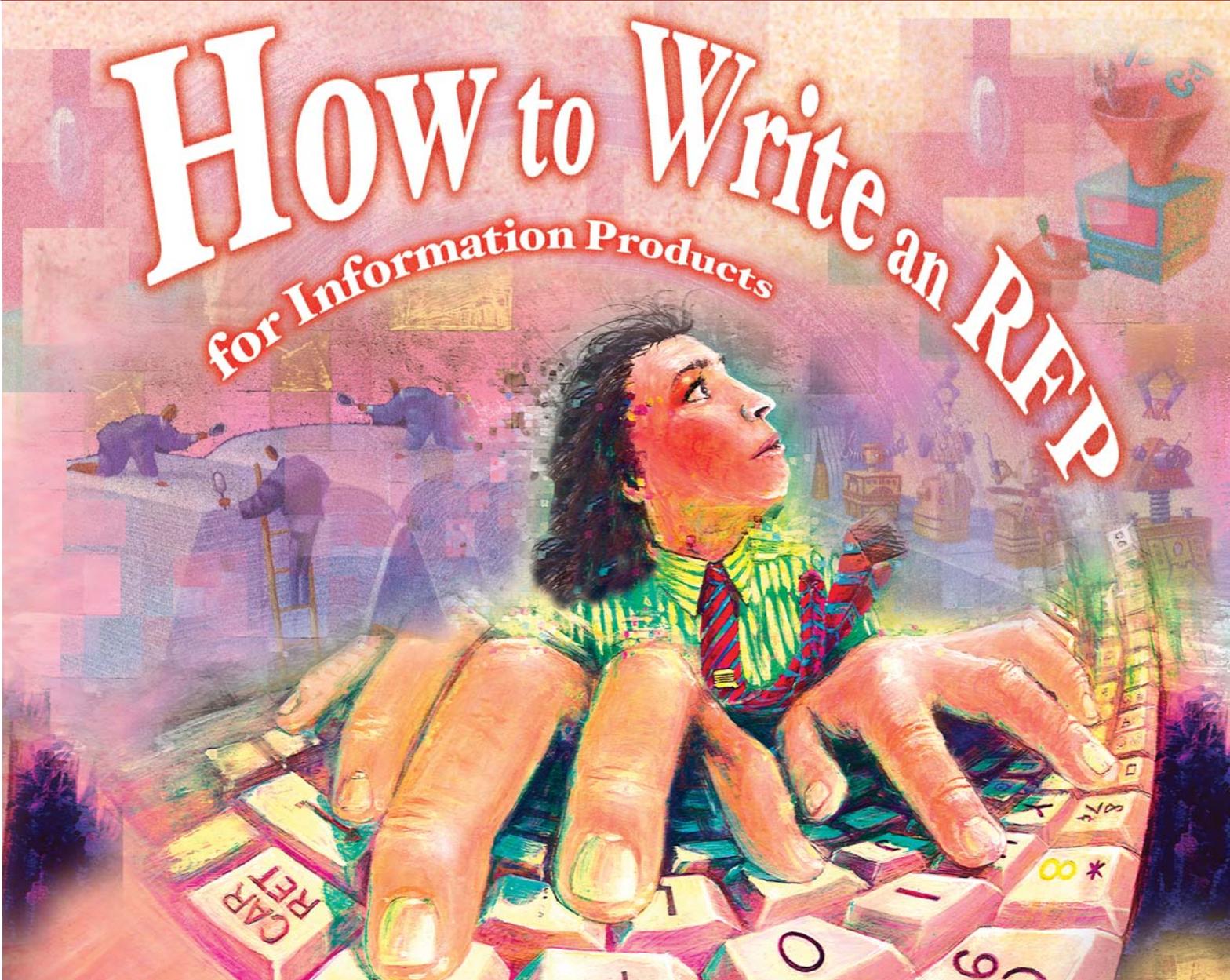
Information Management

Don't Worry About the Label

By John R. Latham

How to Write an RFP

for Information Products



By Helen Clegg and Susan Montgomery

Once upon a time, an international company's fledgling information department was tasked with buying online content to provide appropriate economic and financial news and company information. Although the information manager was an experienced researcher, he had not purchased information products before and did not know about the RFP process.

The information manager identified a number of potential suppliers and arranged for trial subscriptions to test the online databases, both from a content and functionality point of view. At the same time, he talked to a number of stakeholders within the company to

ascertain what their requirements for business intelligence would be. It emerged that although price was important, in-depth coverage of the company's potential markets in Eastern Europe was one of the most important criteria.

Without any tools to help him compare the content, functionality, and pricing structure of the online products, the information manager struggled to compare different products and reach a decision about which supplier's products were most suitable. After reaching a decision, the supplier sent its standard contract, terms, and conditions. The information manager then realized that the standard contract would not be acceptable to the company and sought

advice from two colleagues—one who was an experienced negotiator, the other who was a qualified lawyer. It took several months of negotiating before the contract terms were acceptable to both parties.

Had the information manager known about the RFP (or request for proposal) process, it would have helped him:

- Understand the exact needs of his user base.
- Construct an RFP that set out his requirements to the suppliers.
- Compare apples with apples, instead of apples with pears.
- Take control of the process, instead of letting the process taking control of him.

Experience from the Field

Sue Edgar is a director of knowledge management and information services at Booz Allen Hamilton. She is responsible for negotiating contracts with many online database suppliers. She says:

“Although we don’t send out RFPs, I inform suppliers of our requirements by email. I think the whole process of sourcing information products, especially for global companies, will soon start to become more formal.

“Currently, I start negotiations with suppliers about four to five months before our contracts end and have an in-house sourcing expert to help me. He’s an MBA graduate who specializes in sourcing and he’s great!

“I think suppliers are expecting to see RFPs, especially from global companies like ours which typically spend thousands of dollars on information products. When you’re sourcing products with this much spend, you need a more formal process; however, I think some suppliers still lack the supply management skills needed to deal effectively with RFPs, so they’re going to have to sharpen their skills in this area and read and respond to the request accordingly.

“Currently, our three critical criteria for supplier selection are content coverage, price, and search functionality, with coverage just having the edge over price.”

Toby Pearlstein is director, global information services, at Bain & Company:

“We negotiate global contracts for information products that we push to consultants’ desktops and for products that are practice-specific. We don’t use a formal RFP process within Information Services, but we do go through a product evaluation process. We compose a wish list—what we want to obtain, how we need to deploy the product, what type of usage reports we need, how we want to be serviced. We look at all the suppliers in the space and put together a matrix to help us evaluate them.

“When it comes to evaluating products that appear very similar, finding out the real differentiator can be difficult. We then hold a series of discussions with our current and potential suppliers. We always ask them how they think they stack up against their competition. Those that can’t really answer this question or who have little concept of the information industry score poorly. Suppliers who have unique sources or deploy themselves differently score higher. After the discussions, we ask suppliers to come back to us with a proposal, including their terms and conditions.

“Our current practice of supplier selection and negotiation works well for us. In some firms, purchasing departments take over but the issue here is do they really understand a complex category like information products? I think that working in partnership with a purchasing department could be advantageous for sourcing information products and services. Purchasing professionals are skilled negotiators, whereas many information professionals are not, so consequently don’t negotiate very successfully.

“Cost is not the main criteria for us. We try to look at all options. Search functionality and an easy interface are critical for desktop products, ways of accessing content and types of usage reports which allow us to do a return on investment analysis are also important.”

- Better estimate the length of time the process would take.
- Justify his recommendation to stakeholders.

The use of requests for proposal (RFPs) for sourcing information products¹ has been customary in government organizations and academia for some time. In other sectors, information products have more often been purchased through a process of discussion and negotiation. RFPs usually come into play only when the value of the contract is high or when there are custom specifications or requirements for end users. The RFP is part of the whole sourcing process² and is used in addition to discussion and negotiations. It is an important tool to use in preparing for the negotiations stage.

Today, however, more companies are becoming smarter about consolidating their spending on information products, which means that the potential value of the contract is higher, giving them greater leverage during negotiations. They are also looking for suppliers who can deliver solutions for the organization as a whole rather than just the information center, thus requiring carefully specified proposals. As a result, suppliers we spoke to indicated that more customers in all sectors are adopting a formal RFP process.

RFPs have a number of advantages over the traditional practice of simply negotiating with a supplier:

- RFPs introduce rigor and discipline into the purchasing process, requiring clear definition of the needs and requirements of the organization.
- RFPs create a level playing field, with measurable criteria for evaluating suppliers’ offerings.
- Suppliers’ pricing proposals are revealed in advance of negotiations. (As one information manager pointed out, “You would never buy anything in a shop if you couldn’t see the price.”)
- Bringing end users and/or different business units together to write the RFP positions the information manager as an influencer.
- A good RFP benefits both sides by giving the supplier a clear understanding of your organization and its needs so that, as a result, it can better tailor its response to your requirements.
- RFPs put you in the driver’s seat,

rather than in the position of negotiating with the starting point being the supplier's standard contract terms and conditions.

The purpose of this article is to demystify the RFP process and to provide practical assistance on how to conduct it. We will define what the RFP should cover, provide techniques for structuring RFPs to enable a fair comparison between suppliers' offerings, and provide a framework for the RFP process.

Getting Started

Begin the process by building a sourcing team. As well as colleagues from your own department who understand users' needs and requirements, the team should include representatives from all user groups. Other stakeholders and decision makers who are responsible for signing off the final contract need to be kept fully informed of the team's progress. IT staff should be included when compatibility of IT systems or network security are issues to be considered. You may also wish to include colleagues who have experience in negotiations or legal expertise. Corporate procurement and legal staff can help with RFP specifics. Be clear about what you expect in terms of commitment of the team members. You don't want people rotating in and out because continuity will suffer and it will slow the process down. Two people (usually a technical person and a businessperson) should be designated to speak directly to suppliers.

It is critical to decide on a realistic schedule that you will be able to implement. Not adhering to a schedule that you have set out sends the wrong message to your suppliers. Allow plenty of time to complete an RFP exercise—at least three months from start to finish is not uncommon for a formal supplier selection process, depending on the complexity of your RFP and whether you are looking to negotiate with new suppliers. If you have a number of contracts coming up for renewal at the same time, you will need to factor that in as well. Using an electronic RFP tool, if one is available, can reduce the timeframe somewhat and simplify the analysis of suppliers' responses.

Table 1
RFP Schedule

Weeks elapsed	Task
1 - 4 (may take less time)	Build sourcing team, conduct user needs assessment, create RFP, research potential suppliers, finalize list of suppliers to be invited to participate
5 - 6 (may need more time if it is a complex proposal)	Hold supplier conference call, respond to suppliers' questions, receive supplier responses
7 - 8	Review and evaluate responses, including performing reference checks
9 - 10	Check references, develop short list, schedule presentations
11 - 12	Hear presentations, make final selection and notify all candidates of your decision

A typical schedule would look like Table 1.

Defining Requirements

A strong RFP clearly sets forth the buyer's requirements. It is structured so that the responses received from potential suppliers can be fairly compared and evaluated. In the case of a complex category such as online information products—where content, functionality, and pricing can vary widely between suppliers—this is not easy to achieve. Before you begin the process, contact the prospective suppliers, let them know that you will be issuing an RFP, and talk to them about their products. During the RFP process, it is important to remain impartial, to have a formal process for responding to suppliers' questions, and to ensure that the same information is given to all. After the RFP process, there will still be talking to do to arrive at the final decision; the advantage will be that you will have more information and insight.

Your RFP needs to be carefully designed and built around your objectives and business requirements, so you need to invest time up front doing your research and data gathering.

- If you are sourcing primary market research, how much does the market research company need to understand

your business? Is this understanding more important than price to you?

- If you are sourcing end-user online tools, are you clear about your usage patterns and related expenses? How are you using the information products and services you currently buy?
- Do you have a thorough understanding of your users' needs and requirements? How do their needs and requirements fit in with your organization's corporate objectives? One way of finding this out is to conduct an internal survey, or RFI (request for information), among your user group. Include potential users of your products and services too, as they might have different needs and requirements that could influence the procurement process.

Take time to go through prior contracts, correspondence, and usage reports and, if necessary, obtain additional information you may need for analysis directly from the suppliers. Be clear about how much you are prepared to spend with each supplier for the duration of the next contract. This becomes your baseline. Doing your groundwork to understand what your users' "must haves" and "nice to haves" are will pay off in a well-designed RFP. At the same time, you need to be thinking of the suppliers you will invite to participate in your RFP process. Are you looking to source new suppliers

Table 2
RFP Content Outline

Section	Content	Comments	Check when done
1	Introduction		
1.1	Your company	Give information on your company and its business.	
1.2	Sourcing initiative description	Tell the suppliers why you are conducting an RFP process.	
1.3	Current environment	Give details on the current environment; e.g., how many end-users of information products are in your company.	
2	Instructions to suppliers		
2.1	How to complete the proposal	Outline the steps the supplier must go through to complete the RFP correctly. Include a response checklist, summary of key dates, number of copies required, address for responses and contact details of a named person in charge of answering any questions related to the document	
2.2	Scope of proposal	If relevant, provide details.	
2.3	Order amounts	Give details of any limitations that you will have.	
2.4	Completeness of proposal	Ensure the proposals are as complete as possible to facilitate analysis.	
2.5	Post-proposal submittal	If suppliers submit revised information after they have returned their completed RFP, outline the process they must follow.	
2.6	Non-disclosure of proposal information	State your confidentiality terms.	
2.7	Selection procedure/evaluation	Outline your criteria for evaluation; e.g., price, functionality, service, content, geographic coverage, other.	
2.8	Right to reject	State clearly that a completed RFP does not constitute a contract and does not put you under any obligation to accept the suppliers' RFPs.	
2.9	Preparation and other costs	Costs associated with completing an RFP are usually absorbed by the suppliers.	
3	General requirements for all suppliers		
3.1	Content and capabilities	State your requirements here—e.g. type of content you are looking for suppliers to provide, search functionality, news feeds, depth of online content (geographic coverage, different languages), type of usage reports required, any other specific requirements.	
3.2	Pricing	State here any expectations you may have regarding pricing; e.g., prices and charges must be the lowest the supplier offers to customers with comparable volumes.	
3.3	Terms and Conditions	Provide your company's standard terms and conditions of doing business with which suppliers must comply. Depending on length and complexity, these may be included in the body of the RFP itself, or as an appendix.	
3.4	Proposal valid for 'xx' days	State the validity of your RFP in terms of days.	
3.5	No assistance received outside official RFP response channels	Specify in this section the correct channel of communication for suppliers to go through if they have questions regarding the process.	

Continues on page 29

through this exercise, or is your objective to secure more value from existing suppliers? Do your homework on the suppliers you are interested in and their products. Do you know their cost structure? How do online suppliers deal with royalties? What are your suppliers' standard terms and conditions? In fact, gathering information on different suppliers should be an ongoing process—use your professional network contacts, trade shows, and information available in the public domain to find out as much as you can.

Responding to an RFP from a supplier's perspective requires a substantial investment in time and resources. Suppliers must weigh their investment in resources against the probability of winning the contract. Suppliers can tell if an RFP has multiple levels of buy-in from within the organization and has taken into account the needs of all users. A poorly written RFP—or one that appears to be looking only for a price quote—is likely to get a pro forma response.

Structuring the RFP

RFPs require a company to examine its needs and translate those needs into measurable requirements. In essence, a good RFP says, "Here's our current situation. Here's our goal. How would you achieve it?" Be clear about what you want to accomplish but flexible on the ways to achieve it.

Evaluation criteria are a key element to consider in developing an RFP. What will be the key factors in choosing a supplier? What weight does each have in your decision-making? The RFP should explain what key factors will be considered in the selection process, although specific details of the evaluation process—in particular, the weighting criteria—should not be included. See Section 2.7 in Table 2 for examples of evaluation criteria.

In designing the questions, phrase questions so it will be possible to compare suppliers' responses and score them objectively. For example, don't ask compound questions ("How many sources do you have from Latvia, Lithuania, and Estonia?"). Ask each in a separate question, which leaves no room for confusion. The use of closed-ended questions, particularly if you are

conducting the RFP electronically (which allows you to define the range of acceptable responses), will dramatically simplify the evaluation process and comparison of supplier responses. In the evaluation process, it is best to apply a numerical rating to suppliers' responses to questions so you can weight the responses. A "poor, fair, good, excellent" type of rating system will not work well. Developing the evaluation framework up front will ensure that responses are judged fairly and can help ensure you are asking the correct questions.

Pricing of service offerings is one of the trickiest elements of an RFP. Information products suppliers tend to have idiosyncratic fee schedules, each one different from the others, making it difficult to compare anything but the bottom line. One way to resolve this is to specify how you want prices quoted—for example, per user or per seat. This will allow you to compare their offers on an equal basis. Another technique for sourcing project-based work such as market research is to provide a sample case and ask the suppliers to develop a quotation for the sample project as well as to provide a rate card. You also will want to provide multiple scenarios:

- a. Limited agreements.
- b. Enterprise agreements.
- c. Limited agreements with usage caps.

Table 2 outlines the contents of a typical RFP for online end-user information tools for a company negotiating a global contract. It can, of course, be adapted for other types of information products and services.

Issuing your RFP

Once you have finished your RFP, review the draft with your sourcing team to ensure that it meets your objectives. A cover letter with a strong and clear message about the opportunity for suppliers should accompany the RFP. It is also a good idea to draw attention to your time-frame in the letter by emphasizing the key dates that you have set out in section 2.1 of your RFP.

The contact person within your sourcing team nominated to answer any supplier inquiries about the RFP should also monitor how quickly sup-

Table 2 continued
RFP Content Outline

Section	Content	Comments	Check when done
3.6	Contract duration	State the length of contract you are looking to negotiate.	
3.7	Laws	State whether there are any laws that the suppliers must abide by.	
4	Specific requirements for information suppliers		
4.1	Account management	Specify how you wish your account to be managed; e.g., with supplier representation in a number of different geographic regions.	
4.2	Pricing	Detail any specific pricing requirements here, such as where the main invoice should go, what currency the invoice should be in, whether pricing should be tiered, etc.	
4.3	Training and support	Specify the type and method of training you will be looking for; e.g., 24/7 helpdesk, support in different languages	
4.4	New offerings	Inquire about the supplier's new product development process.	
4.5	Copyright issues	Ask for examples of issues regarding copyright that the supplier might have had.	
4.6	IT environment	Indicate the operating environments with which the supplier systems should be able to interface.	
5	Intent to respond		
5.1	Intent to respond	Provide a form that the suppliers use to show their intent or not, to respond to the RFP. When using an e-RFP, suppliers simply click a button on the Web page to indicate their intent to respond.	
5.2	Signature page	Ask suppliers to specify any exceptions to the RFP in this section.	
5.3	Response check list	Provide a check list of all documentation suppliers must submit for their RFP to be valid.	
6	Bid responses		
6.1	Qualitative response documents	Supplier provides specific background information on the supplier, in-depth description of product content that would be provided and supplier capabilities (searching, technical, administration, reporting etc). These can be sent as an integral part of the RFP or as appendices. When using an e-RFP these sections are part of the online RFP.	
6.2	Quantitative response documents	Supplier provides cost and pricing information (general service costs, specific service costs, pricing) in given form so that all responses can be compared. When using an e-RFP these sections are part of the online RFP.	

pliers are returning their intent to bid forms and RFP. This will enable you to proactively contact any suppliers who look as though they will miss the response deadline.

Analyzing the RFP

A time-consuming part of the RFP process is the analysis of the responses. If you have involved a number of potential new suppliers with whom you

Five Tips for Good RFPs

- 1. Talk to a number of prospective suppliers before you start to write your RFP. "Never assume what's behind the door."-- you may be that first customer where a supplier jumps across into a new sector or service.**
- 2. Think about what information the supplier will need from you in order to respond to the RFP. For example, suppliers can't quote a price if they don't know how many users there will be (surprisingly, many RFPs lack this information).**
- 3. Avoid putting in specifications or requirements that are based solely on the service your current supplier provides. Be open to other content or technology solutions.**
- 4. Provide definitions: the person writing the RFP should never assume that the person receiving it will understand the terminology; for example, "media monitoring" is a buzzword that can have different meanings**
- 5. Provide suppliers an opportunity to ask questions, preferably within the first three days of sending out the RFP (consider building a supplier conference call into your plan)**

are not familiar, you may find that some of them are automatically filtered out because they do not meet your requirements.

The quantitative and qualitative bid response documents that your potential suppliers have submitted now allow you to compare like with like, making the analysis of products and services much easier. Indeed, had the information manager we mentioned at the beginning of this article known about the benefits of using RFPs, he would not have struggled with trying to compare the different pricing structures, functionality, and content offered by the suppliers he had approached.

Throughout the analysis stage, you can still maintain contact with potential suppliers to let them know the status of the process. In fact, maintaining contact with respondents until the process is complete is good business practice. The analysis of the bid response documents may indicate that you need to introduce a round of negotiations with each potential supplier, to clarify a specific point, such as a response about a service cost or a reporting function. It is important to involve all your stakeholders at the analy-

sis stage to gain further insight and input.

The time it takes to analyze RFPs in Excel or Word format can be decreased by using electronic RFP tools, which make the sourcing process even more efficient.

Electronic RFP Tools

E-sourcing tools, which create electronic RFPs, replace the traditionally repetitive, paper-based processes with a Web-based solution that streamlines and standardizes the data collection and analysis process. This means that the whole RFP document can be posted on a secure Web site, enabling suppliers to input their responses online, making redundant the bid response documents that you would normally send out with your RFP. Such tools automate your invitation to bidders as well as their subsequent intent to respond.

E-sourcing effectively reduces the number of manual steps in the RFP process and enables faster data extraction and analysis, in some cases considerably reducing the time it takes to arrive at a supplier's "best offer." E-sourcing tools work best when there are at least three or more suppliers whose

products are broadly similar—for example, subscription consolidators, book distributors, and primary market research services. They are not appropriate in situations where the supplier you are dealing with provides unique content for a specific industry segment.

If your information department serves a large company or global organization, it is worth checking to see whether e-sourcing tools are being used to source other products and services. Larger companies are increasingly using e-RFP tools because the traditional methods of distributing, collecting, and analyzing RFPs are time-consuming and labor-intensive.

Case study: Using e-RFPs to Source Primary Market Research

One of A. T. Kearney's clients, a global pharmaceutical company, wanted to reduce its costs for primary market research (customized market research projects involving questionnaire development, interviews or focus groups, and tabulation and presentation of results). The company decided to use an e-RFP and electronic auction (e-auction) to source their primary market research. Their objective was to create preferred supplier agreements, and to achieve rate transparency and cross-border visibility of supplier capabilities. Primary market research is a highly competitive business, with many small suppliers and a few large multinational ones. It requires an in-depth knowledge of local markets; therefore, it is very sensitive to a particular geography. Our client used different suppliers in different national markets, and its spending was highly fragmented across many suppliers. Research requirements and purchasing processes varied widely from one country to another. Furthermore, it had little insight into suppliers' costs because each supplier had different job descriptions and associated hourly rates.

The company issued a standard e-RFP for primary market research services to all suppliers in the different geographies. All suppliers were asked to provide quotes for three sample projects. These case studies were used to evaluate suppliers' methodologies and

staffing models, and to provide savings tracking. Rate information was used to compare prices, and country-capability information provided visibility into potential cross-country capabilities and synergies.

The sourcing team included members from each country involved. The team's job was to review and approve the evaluation framework and final e-RFP document, conduct the local supplier conference to review the e-RFP, and evaluate e-RFP submissions.

Based on the evaluation, a group of suppliers was selected to participate in an electronic auction. The purpose of the e-auction was solely to determine the hourly rates that the pharmaceutical company would pay for agency services. Again, an "apples to apples" comparison was achieved by asking suppliers to bid on standardized job descriptions. The e-RFP and e-auction achieved good results with substantial price compression on the standard hourly rates and improvements in product quality. Clearly, then, using RFPs to source information products has advantages and could be used to good effect in the private sector. To find out whether RFPs are being used by others in the corporate information sector, we interviewed two information managers in global management consultancies and asked them for their thoughts on the RFP process. Their comments are in the sidebar to this article, "Experience in the Field."

Case study: Using an RFP to Source News Aggregators

Chris Julius, operations manager for knowledge services at A. T. Kearney, used the RFP process to source enterprise-wide news aggregation services.

"We decided to do an RFP for several reasons. First, we wanted to leverage our global spend by establishing an enterprise-wide contract, rather than sourcing on a regional basis. Second, we kept running into the situation where we were always negotiating with the incumbent provider up until the end of the current contract. We risked losing access to the service and our negotiation position was weakened. Finally, we knew that we did have



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enough leverage to really push the incumbent into moving on price but needed to control the process.

"We were helped by changes in the marketplace—a merger that created another news aggregator with global coverage. That introduced serious competition and made it feasible to do an RFP. We invited four suppliers to participate in the RFP.

"The incumbent responded to the RFP but it was obvious that they weren't listening to what the competitive environment was saying. Although they came down considerably in price, they did not show the cost savings we were expecting. The supplier that won the business offered a deal that was half the price of the incumbent's original offer. They were selected on the basis of

price and coverage; they were not the lowest bidder overall. The threat of competition and A. T. Kearney's willingness to move away from our historic vendor relationship made significant savings possible.

"Although we do not expect such dramatic results in all cases, we have seen cost compression in the marketplace. In segments of the market where there is enough competition to make comparisons, the RFP process can yield worthwhile results. The RFP process puts suppliers on an even playing field and, most importantly, puts them on your playing field."

Conclusion

The RFP process communicates a serious intent to award business to suppliers and enables buyers to obtain complete information for analysis beforehand. Although it forces buyers to examine their needs very closely, it work pays off in giving them a stronger negotiating position. It is likely that the trend to formalize the procurement of information products in the global corporate world will continue. Using a structured RFP will help you focus on your key requirements, show suppliers that you mean business, and indicate to your stakeholders that you understand the intricacies of sourcing complex enterprise-wide products.

As one supplier told us, "If all information professionals were to take this on board, suppliers would be extremely happy as it will make the process more efficient." And so, buyers and suppliers would live happily ever after.

¹ From our perspective, information products can include online databases, primary and secondary market research, subscription brokers, book wholesalers, enterprise software, and other products intended to manage an organization's information and knowledge.

² See our previous article, "7 Steps to Sourcing Information Products," *Information Outlook*, December 2005. 🌐